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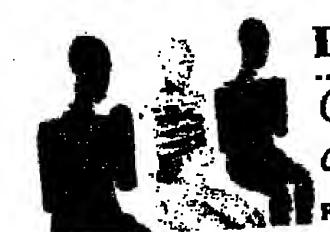
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SUNDAY

Tokyo crisis The collapse of

the jusen



**Dummy run** Computers in crash testing

Music piracy Italy as the villain

**Hong Kong** The battle for business as usual

Survey, Separate Section

Kong site

With this issue, the Financial

Times starts printing in Hong

Kong, on the presses of Kin Ming

at Chai Wan. From Hong Kong.

copies will be sent to most of the

Asia-Pacific region, arriving on the day of publication. In Hong Kong itself, copies will be avail-

able in the central business dis-

The FT is now printed daily at

10 sites worldwide, two in Britain

and eight overseas. International

printing of the FT started in

Frankfurt in 1979. Over 10 years

print centres were added in

France, New Jersey and Tokyo. A

trict by 8am local time.

World Business Newspaper

## MCI price move intensifies war to control Internet

Moves by the world's leading telecommunications operators to take control of access to the Internet, the global network of computer networks, are accelerating. MCI, the second largest US long-distance operator announced improvements to its internet network, the world's most extensive, and prices to challenge those revealed last month by AT&T, the largest US operator. The group plans to triple the capacity of its network and provide its customers
with more value-added Internet services. Page 17

#### Strong D-Mark blamed for 13% profit fall at Schering

Schering, the German pharmaceuticals group, announced a 13 per cent fall in profits for 1995, caused largely by the strong D-Mark and growing competition, particularly from Japan. Net profits fell DM37m from DM285m in 1994 to DM248m (\$167.5m) last year, while sales declined 1 per cent from DM4.69bn to DM4.64bn over the same period. Page 17; Lex, Page 16

Singapore and US 'most competitive': Business leaders rate the US and Singapore as the world's most competitive nations, followed by Japan, Germany, South Korea and Switzerland, according to a survey by the International Institute for Management Development. Page 7

GEC confirms Simpson as MD: George Simpson, the chief executive of Lucas Industries, was yesterday confirmed as the new managing director of the General Electric Company. Page 17

UN, iraq nearer oil deal: United Nations and Iraqi negotiators neared an end to their second round of talks on a limited resumption of Baghdad's oil exports, to pay for food and medicines for civilians suffering under the impact of sanctions. Page ?

UK plan may increase deportations: The UK government is considering plans to increase the number of people deported from Britain by the Immigration and Nationality Department by making it an executive agency and setting tough new targets. Page 11

EU reaffirms ban on meat hormones: European Union agricultural ministers agreed to introduce tighter controls and tougher sanctions to improve the Union's controversial ban on the use of growth-promoters in meat production. Page 6

Nine BP executives to share £10m: Nine present and former directors of British Petroleum are to share in an award of £10.5m (\$16m) of shares under the company's long-term performance plan.

Unitech shares rose 173p to 688p on expectations that Siebe, the industrial controls manufacturer, will have to increase its friendly £450m (\$688m) takeover offer to secure control of the electronic controls group. Page 23

Banks target former Yugoslavia: German and Austrian banks are showing growing interest in the former Yugoslava. Page 19

Brussels bourse inquiry: The Brussels bourse launched an inquiry into possible price manipulation by index-linked funds, whose recent forays into the market have been credited with giving a boost to the bourse's Bel-20 share index. Page 2

Gdansk shipyard faced with closure: Poland's historic Gdansk shipyard, where Solidarity was born and where the country's former president, Lech Walesa, turned a strike over wages into a crusade which brought down communism, is faced with closure. Page 3

Romania bans five banks from forex: Romania's central bank banned five banks, including ING, the Dutch financial services group, from dealing on their own account in the country's fledgling foreign exchange market. Page 16

Serial killer West seeks appeal: Lawyers seeking an appeal for British serial killer Rosemary West said lurid media coverage had prevented a fair trial. The 41-year-old mother was sentenced to life imprisonment last November for the murder of 10 young women including her own daughter.

President Mandela faces divorce hearing: South African President Nelson Mandela told a divorce hearing his estranged wife, Winnie, had turned him into a lonely man and humiliated him publicly with her brazen conduct and infidelity.

Car bomb kills five in Algeria: A car bomb killed five people and wounded 10 in the north-eastern Algerian town of Tizi-Ouzou. An estimated 50,000 people have been killed in Algeria's violence pitting government forces against Moslem guerril-

las since 1992.			
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#### TUESDAY MARCH 19 1996

Beijing war games aim to intimidate voters in Taiwan's presidential poll

# China evacuates test site islands printing

By Tony Walker in Beiling, Laura Tyson in Talpei and John Ridding in Hong Kong

China ordered the evacuation yesterday of dozens of its islands in the Taiwan Strait to clear the way for live-fire exercises by its

Meanwhile, residents of several Taiwanese controlled islets near the mainland have fled their

The exercises at the narrow northern end of the strait, which appeared not to have begun as scheduled yesterday because of poor weather, are aimed at intimidating voters on the eve of Taiwan's presidential elections on Saturday.

They conclude two days after the poll, and dovetail with similar war games being held until tomorrow at the southern end of the strait. The manoeuvres were preceded by a round of missile tests near Taiwan's two biggest commercial ports.

An indication of the seriousness with which Beijing officials can regard their country's perceived rights over Taiwan came when Mr Winston Lord, the US assistant secretary of state for east Asia and the Pacific, said Washington had even been warned that the US could face the threat of nuclear attack if it interfered militarily to defend

"Some Chinese lower-level officials told some visiting American officials that we wouldn't dare defend Taiwan because they'd rain nuclear bombs on Los Angeles," AFP news agency quoted Mr Lord as telling C-Span cable television on Sunday. He dismissed the remarks as "a little disinformation and some psychological warfare", saying a high-level Chinese official, during



Taiwanese soldiers line up before taking part in an exercise as the defence ministry put on a a show of its own military strength

a visit a week ago to Washington. "denied that it was any official policy". The threat was "unhelpful-type rhetoric".

China's military exercises, involving 150,000 men from the navy, air force and army, are its biggest show of force in the Taiwan Strait since Taiwan's President Lee Teng-hui was granted a visa by the US to visit

China's leadership fears the

island's first direct presidential election, in which Mr Lee is running for a second term, may be a stepping stone to a declaration of independence. Beijing regards Taiwan as a renegade Chinese province eventually to be recovered, by force if necessary. Several hundred civilian inhab-

itants of islets near the frontline island of Matsu, a heavily fortified Taiwanese stronghold, have fled to the main island in recent

days. A Chinese official on Pingtan, a Chinese island in the strait's northern waters, told Reuters, meanwhile, that "the government has ordered that people on islands in the test area evacuate to the mainland". Mr Yin Tsung-wen, director of

Taiwan's National Security Bureau, told cabinet officials yesterday it was likely China would announce another round of manoeuvres shortly, but these would

be further inland and would have less impact on Taiwan. In Hong Kong, senior officials

are continuing to express concern over the issue. They fear Sino-US tensions risk harming trade flows and complicating renewal of China's Most Favoured Nation trading status.

Conoco to seek oil off Taiwan, Editorial Comment, Page 15

#### second phase of international expansion began in 1995 with the addition of Sweden, Madrid, Los Angeles and now Hong Kong. Mr David Bell, chairman of the Financial Times, said in Hong Kong yesterday: "Printing in Hong Kong marks an important

step in our international expansion, and underlines the FT's commitment to its international readership in general and the Asia Pacific region in particular." The launch of the new print centre will be marked by a ceremony in Hong Kong. Mr Bell said: "We are grateful to Kin Ming for their belp in setting up this printing arrangement so efficiently. They are the latest edition addition to the network of partners around the world whose help is essential to the smooth operation of our world business

newspaper."

The international edition is edited to be relevant to readers outside the UK. British news is condensed and more space devoted to international topics. However, some 80 per cent of the paper is common to both UK and international editions. In both, the paper retains its emphasis on news, analyses and comment on issues of relevance to business. At the end of 1995, the inter-

national edition accounted for about 135,000 of the FT's daily sales of 310,000 copies. Sales in the Asia-Pacific region, currently 8,000 a day, are expected to rise rapidly now the paper is available to readers earlier.

Peter Martin International **Edition Editor** 

#### EU outlines \$4.5bn aid package for Bosnia abandoned by most Serb residents, fearing their fate under

By Laura Silber in Geneva

The European Union yesterday laid out plans to raise up to \$4.5bn in Bosnian reconstruction aid, as Mr Warren Christopher, the US secretary of state, conferred in Geneva with three Balkan leaders on the peace process.

EU officials said an international donors' conference scheduled for April 12, would aim to raise \$1.2bn this year and a further \$3.3bn over the next three or four years to rebuild Bosnia's shattered economy.

European officials have, so far, been disappointed by donations from Asian and Middle East countries. The US Senate last week approved \$200m in aid subject to the departure from Bosnia of iranian military advisers.

Brussels plans donors' conference as Christopher meets Balkan leaders to shore up peace process Mr Christopher's decision to ways of bolstering the Croat-

onciliation effort with the leaders of Serbia, Croatia and Bosnia came as a sharp reminder that long-term peace is far from guaranteed.

Yesterday's meeting highlighted fresh divisions among the contact group, the five nations which sponsored the Bosnian peace effort. Russia only sent an observer to the morning session, showing its irritation with Mr Christopher for appearing to upstage a meeting in Moscow

this Saturday. The Geneva talks focused on

hold an urgent review of the rec. Moslem federation within Bosnia.

The deployment of a 60,000member Nato-led Implementation Force (Ifor) has ended fighting in Bosnia, but all three ethnic groups - Serbs, Croats and Moslems - have been accused of obstructing the civilian aspects of the Dayton accord.

Mr Christopher talked separately with Presidents Slobodan Milosevic of Serbia, Franjo Tudjman of Croatia and Mr Ejup Ganic, who is acting as Bosnian head of state because of Presi-

dent Alija Izetbegovic's illness. As the talks began, there was chaos in Grbavica, the last of the five Serb-held districts of Sarajevo to be handed over to Moslem-Croat control. Serb gangs yesterday rampaged through the district, setting fire to buildings

Bosnian government control. The exodus of the Serbs from Sarajevo took Bosnia a step closer to ethnic partition. The western governments who sponsored the Dayton accord had hoped that Sarajevo would become a multi-ethnic city linking the two parts of Bosnia: a

Continued on Page 16

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#### Paris edges towards change of status for France Télécom tives" with the necessary reforms plan to admit new telecoms operto allow France Telecom "to

By David Buchan in Paris

The French government yesterday embarked cautiously on the possible partial privatisation of France Telecom by asking Mr Michel Bon, the organisation's president, to consult his 151,000 workforce on the preliminary step of converting the state utility into a regular company with its own capital.

In a letter to Mr Bon, Mr Alain Juppe, the prime minister, promised that France Télécom "will remain a public enterprise in the form of a company held in its

majority by the state". Mr Juppe also promised that it would stay "the public operator" of a national service after telecommunications were deregulated in 1998, and that current employees would keep their civil servant status with associated job and pension guarantees. He did not mention partially privatising or opening up the utility's capital to outside investors. But France Télécom unions, which oppose the government's

international News... American News ---

Asia Pacific News -

Japan's froncial crisis.....

World Trade News ----

ators in 1998, were quick to read privatisation as the prime minister's ultimate goal. Some said they would refuse to enter into negotiations with Mr Bon on changing the utility's status. The SUD-PTT union said:

"However it is phrased, the privatisation of France Télécom will eventually lead to jeopardising the status of the personnel and massive job losses. Although the number of union

members is much smaller, some 60 per cent of France Telécom's personnel back the SUD-PTT and pro-communist CGT unions in works council elections, while other unions are almost as hostile to the government's telecoms reforms. At one point during last December's public sector strikes as many as 38 per cent of France Télécom's personnel

stopped work. Clearly chastened by the outcry provoked by his welfare and railway reforms last year, Mr Juppé asked Mr Bon to "associate the personnel and its representa-

confront competition with the same weapons as its [international] competitors". The government has not set a deadline for Mr Bon to complete

his consultations. Neither has it set a date to present to parlia. ment a law incorporating France Têlêcom with its own capital. A senior official said yesterday that the question of opening the company's capital to allow part. ners such as Deutsche Telekom or Sprint to take a minority stake could only be tackled "when France Télécom legally has capi-

tal to open". France has made commitments to the European Union and to the US, where France Telecom and Deutsche Telekom have taken a 20 per cent stake in Sprint, to deregulate its telecoms market. But officials stressed yesterday that Paris was under no such international obligation in changing France Télécom's status.

Lex. Page 16

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Managed Funds \_\_\_\_\_30,31 Inii. Cap Mikis .... Hong Kong ......... Section III MIL Companies \_\_\_\_\_18-21 Money Markets \_\_\_\_\_27

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BD/07

Expectations of a pact to allow the formation of a conservative

Jose Maria Aznar, leader of the centre-right Popular party, and

At the meeting in Madrid, Mr Azuar is reported to have put

forward an outline of possible agreement with Mr Pujol's

Convergence and Union party, whose support he is seeking to

These areas included European monetary union, budget curbs.

It was the first meeting between the two leaders following

the PP's narrow general election victory two weeks ago. An

agreement with Mr Pujol would be expected to ease the way

Meanwhile. Mr Felipe González, the outgoing Socialist prime

come back with a clear parliamentary majority after "two or

Hungarian loan boosts shares

The Budapest stock exchange hit a new high yesterday and

Hungarian shares closed mostly higher on news that the

International Monetary Fund (IMF) had approved a \$387m

1993, Budapest repeged on some of the conditions, and the

The economy went into a tailspin as the country's twin

In March 1995 the government, a coalition of reformed

Communists and former dissidents, appointed a prominent

He implemeted a harsh austerity programme to boost

As a result the current account shortfall dropped from

Organisation for Economic Co-operation and Development

Dutch moves on insider trading

The Dutch Finance Ministry is expected later this week to

present plans to the cabinet on tightening legislation on

The revised law would ease the burden of proof for

the proposals, any insider trading using confidential

Netherlands under 1989 legislation. Mr Joep van den

Nieuwenhuyzen, a former chairman of Begemann, the

whether it resulted in personal gain.

prosecutors, who would no longer have to prove insider

information would be a punishable offence, regardless of

Only one person has been tried for insider trading in the

engineering company, was acquitted last week after a court

ruled the prosecution had failed to establish that his sale of

trading was designed to produce profits for defendants. Under

(OECD) by the end of March. OECD membership was

\$3.9bn in 1994 to \$2.5bn last year. The budget deficit was also

reduced significantly. Hungary may now be invited to join the

Tim Smart, Budapest

current account and budget deficits ballooned.

banker, Mr Lajos Bokros, as finance minister.

exports and cut public spending.

conditional on the IMF loan.

insider trading.

This arrangement signals Hungary's return to favour after three years. Shortly after a similar agreement with the IMF in

minister, told supporters in Andalucia that the Socialists could

for other regional parties to make deals with the PP.

become prime minister in a vote of confidence next month

Spanish government rose yesterday after talks between Mr

Mr Jordi Pujol, the Catalan regional president.

Basque separatist violence and regional policy.

three years".

standby loan to Hungary.

loan was withdrawn.

### Centre-left alliance balks at recruitment of Forza Italia rebel

## Dotti debacle deals blow to Dini

By Robert Graham in Rome

The political judgment of Mr Lamberto Dini, Italy's caretaker prime minister, was called into question yesterday after a last-minute recruit to his nascent Italian Renewal party was obliged to withdraw. The recruit was Mr Vittorio

Dotti, who over the weekend was ousted from Forza Italia, the political movement created by Mr Silvio Berlusconi, the media magnate and politician. Mr Dotti, leader of the Forza Italia group in the Chamber of Deputies, was immediately snapped up by Mr Dini. But this provoked a chorus of protest from within the centre-left

relying for electoral support. Within 24 hours of joining forces with Mr Dini's small centrist party. Mr Dotti said he

was stepping down. The incident occurred just before last night's deadline for the parties to submit their lists of candidates for the general elections on April 21.

Senior figures in the centreleft's Olive Tree alliance are understood to have warned Mr Dini against taking on Mr Dotti when they heard he was considering his recruiting him. In particular, Mr Romano Prodi, leader of the Olive Tree alliance, believed Mr Dotti's presence would confuse voters

and provide ammunition for Mr Berlusconi's rightwing alli-

Mr Dotti is in the midst of a serious controversy regarding his companion of eight years who has been giving evidence to anti-corruption magistrates in Milan. This led last week to the arrest of a prominent Rome judge and the investigation of Mr Cesare Previtl, former defence minister in the Berlusconi government and also a key lawyer with Fininvest, Mr

Berlusconi's business empire. Mr Dini, however, appears to have felt he needed to be more independent of the alliance and appeal to the moderate elements in the electorate - Mr

Dotti having a good public image as such a moderate within Forza Italia. In order to make room for Mr

Dotti, Mr Dini even had to persnade a candidate to relinquish a previously promised constitu-The sudden withdrawal of Mr Dotti underlined the extent of Mr Dini's miscalculation and the degree to which he is

obliged to respect the wishes of

the Party of the Democratic

Left which dominates the Olive Tree alliance. Under the voting system, the alliance supports agreed caudidates for the 75 per cent of the seats covered by first-past-thepost rules. The parties present

their own lists for the remaining 25 per cent covered by proportional representation. The Dotti incident has also highlighted how the lists of candidates have been kept open right until the last minute. The selection continues to have little to do with genuine

local representation and much

more with central choice by

the parties in Rome. The principal absentee is Mr Mario Segni, the former Christian Democrat and leader of the referendum movement. who has decided not to stand despite having been an impor-tant influence behind Mr Dini's decision to enter the political

## Brussels bourse in fund price inquiry

By Michael Morgan

The Brussels bourse yesterday launched an inquiry into possible price manipulation by index-linked (unds, whose recent forays into the market have been credited with giving a boost to the bourse's Bel-20

the bourse management comhe said.

However, news of the investigation came after the bourse fell by 3 per cent in the last minutes of trading on Friday. "The reference price for another new fund was being set by the closing prices on Wednesday, Thursday and Friday, but then somebody else seemed to move in to spoil the fun," said one analyst. "Most people had already packed up and gone home for the weekend, so there was nobody left to counter the downward pressure. This sort of volatility

Mr Quentin Quarterman.

## EUROPEAN NEWS DIGEST Coalition hopes rise in Spain

share index.

Mr Olivier Lefebvre, head of

mittee, said last night an examination was under way. Activity in recent weeks by capital guaranteed mutual funds linked to the Bel-20 index has often been seen in frantic bouts of basket trading in the last minutes of trade. As many funds' reference prices are based on the closing price of the index over a period of days - rather than the day's average price - funds have an interest in pushing up the index towards the close. "This is another problem which must be investigated, because a closing price is less representative than the average price." Mr Lefebvre said. Both the Brussels bourse and the regulatory banking and finance commission would have to review the funds' reference price system,

makes everybody nervous."

Belgian specialist at Kleinwort Benson in London, pointed out that the Brussels market had anyway become more volatile as it faced up to the new challenges of lower earnings growth and slightly higher bond yields.

He noted that profits growth had fallen from 39 per cent to 1994 to about 23 per cent in 1995. Forecasts for this year, were for growth of just 7 per cent as profits for some cyclical businesses were downgraded.

## Serbs' last suburb to be handed over

Grbavica awaits arrival of Bosnian Federation police, says Harriet Martin in Sarajevo

At dawn today, around 100 Bosnian Federation policemen were due to enter Grbavica, the last of five Sarajevo suburbs to change hands under the Dayton peace deal and the only central area of Sarajevo controlled by the Serbs during the war.

In the days leading up to the handover the grim estate of grey concrete tower blocks has been wrecked by looting and arson, as the angry Serb population has packed up and left. The Serbs refused to stay and live under what they considered to be "Islamic fundamentalist" control ending hopes of recreating a united multi-ethnic Sarajevo.

One middle-aged man was yesterday packing his battered VW Golf by his home on the slopes above the city, from where, for four years, the Serbs had shelled its civilian population. Pointing to the vista of dishevelled office blocks and housing estates, be described Sarajevo as "the modern-day Iran in Europe". In the streets below a Serb

couple, in their sixties, who wanted to stay, stood weeping on the pavement. They had been petrol bombed out of their flat, which was now refugees have the right to being destroyed by fire.

About 7.000 out of 70.000 Serbs in the Serb suburbs stayed despite intense harassment by other Serbs who regarded them as traitors. Since the Federation took over



An elderly woman trudges past Italian Ifor troops at Grbavica, the suburb of Sarajevo set ablaze by departing Serbs

into leaving. Elsewhere in Bosnia, there are other problems. Under the Dayton peace agreement, there should be freedom of movement throughout the country.

return home, and the Federation between the mostly muslim Bosnian government and the Croats is supposed to run the customs posts on its international border. The Croats and the Serbs, who fought the

many have been intimidated war with the aim of ethnic separation, have refused to allow Moslem refugees to return home, leading to tit for tat responses by the Bosnian government In Mostar over the weekend

Moslem refugees blocked the main road to Sarajevo after the Croats refused to let them visit the graves of relatives in the southern town of Capljina. The Bosnian government refused to allow the Croat authorities to supply police-

men for the "Federation" police force which took over the Sarajevo suburb of Ilidza last week. On the main border crossing

from Croatia into Bosnia. Croat authorities continue to try and impose customs duties on commercial traffic destined for Bosnian government areas. The government-controlled

area around Bihac in the west of the country continues to be a de facto enclave as the Croatians refuse to open up the

international border. This allows the Bosnian Croats in the south to control freedom of movement of vehicles in and out of Bihac, charging a "customs" tax of 100dem per commercial vehicle.

But yesterday appeared to bring a solution when Nato officials said General Rasim Delic, the Bosnian Army commander, had agreed to submit a withdrawal plan for 4,500 of his troops from a demilitarised zone in Sarajevo.

#### shares in HCS, a now-defunct computer company, was for personal gain. Ronald van de Krol, Amsterdam

Grenoble wins after bribes case Inhabitants of the French city of Grenoble are to get cheaper water following the city's renegotiation of its controversial contract with Lyonnaise des Eaux that had led to the conviction for corruption of former city mayor and Gaullist

minister Alain Carignon. Carignon is appealing against a three-year prison sentence for receiving gifts from Lyonnaise des Eaux in return for awarding it a 25-year concession to supply Grenoble with water. Lyonnaise had defended its 1989 contract as fair, but said yesterday as a result of the contract renegotiation with the city's new Socialist mayor, Mr Michel Destot, its Cogese subsidiary would stop levying extra user charges, which were paid to the city. The cost of Grenoble water will drop from FFr13.04 to FFr12 per cubic metre.

Lyonnaise will also surrender majority control of its water concession back to Grenoble in a rare "re-nationalisation" of a service that has been increasingly contracted out by municipalities to utilities. David Buchan, Paris

#### Tapie corruption trial opens



The trial in Béthune, near Calais, opened yesterday of Mr Bernard Tapie (above), the colourful French businessman and politician, in the so-called "Testut affair", in which he is accused of misusing corporate funds.

Mr Tapie and four others are accused of using Testut, the French market leader in the manufacture of professional weighing machines, to channel up to FFr100m (\$19.7m) in funds for the purchase of Trayvou, another weighing group, funding an associate's election campaign, and offering money to players in the Olympic Marseilles football team previously controlled by Mr Tapie. In his defence, Mr Tapie says he injected more than FFr300m into the ailing company after buying it in 1983. The trial is expected to last at least until the middle of next week. Mr Taple faces another case in Paris at the end of the month, followed by a third in early April relating to the company which controlled his yacht, the Andrew Jack, Paris

#### East Germans top sell-off league Privatisation in the transition economies of central and East Europe is progressing "at an uneven pace." a report\* from the

Organisation for Economic Co-operation and Development claimed yesterday. "In some countries it is nearing completion, while in others it is barely starting," the report said. Privatisation has

generally proceeded more rapidly for small enterprises than for large companies. Only the former East Germany has virtually completed its

privatisation or liquidation of non-viable enterprises. The OECD report says that the Czech Republic by mid-1995 had privatised or liquidated 81 per cent of its large state-owned enterprises, followed by Hungary with 75 per cept, Estonia, 74 per cent, Lithuania, 57 per cent, Russia, 55 per cent, Latvia, 46 per cent, Slovakia, 44 per cent, Poland 32 per cent, Romania, 13 per cent and Bulgaria 10 per cent.

Among small enterprises, 90 per cent or more have been privatised in Albania, the Czech Republic, Estonia, Hungary, Lithuania, Poland and Slovakia. \*Trends and Policies in Privatisation. OECD, 2 Rue André-Pascal, 75775 Paris Cedex 16, France. Price: \$21|DM37.

# EU states square off for Maastricht Round 2

Talks on Union's future shape are set to begin in earnest, writes Lionel Barber in Brussels

fter months of phoney war, the hard bargaining is about to begin on the future shape of the European Union. On March 29, the 15 EU heads of government, including a previously reluctant President Jacques Chirac of France, will arrive in Turin for a brief ceremony to launch constitutional talks likely to last at least 15 months.

It is tempting to draw parallels with the 1787 Philadelphia convention which launched the United States of America: but the reality is more down-to-earth. Loose talk about creating a United States of Europe has long vanished. Even Chancellor Helmut Kohl of Germany, the arch-exponent of a federal Europe, concedes as much.

The issue in the EU's intergovernmental conference is how best to organise a Europe of nation states committed to expansion eastwards and southwards. This is the message in position papers put forward by the 15 EU governments. So much so that the ioint draft of the Benelux countries, founder members of the European Community in 1958,

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Expressen. PO Box 6007. S-550 V6. Jünköping. C The Emancial Times Limited 1996 Editor. Richard Lambert, co The Financial Times Limited. Number One Southwark Bridge, London SEI 9HL avoids the word "federal".

The shift in mood is partly a legacy of the Maastricht treaty and its painful ratification, partly a response to Euro-fatigue. More than 20m people are out of work in Europe. The total is climbing, notably in Germany. The public is nervous about another great leap forward in integration.

Yet it would be wrong to prejudge the IGC as a non-event. Maastricht began with low expectations, but the dynamic of negotiations produced more than many believed possible: a fixed timetable for monetary union by 1999; a new architecture for co-operation in external and internal security; and the creation of the European

Maastricht II is about making Maastricht I live up to its promises. Here divisions between member states over methods and philosophy become apparent.

The maximalist camp is led by Germany. Chancellor Kohl. both eyes fixed on the strategic imperative of eastern enlargement, wants to adapt EU decision-making to cope with a Union which could expand to

Thus, Germany wants a "single European space", which would guarantee freedom of movement of EU citizens, while forging a joint approach among member states on asy-

abstention, where no member state would be expected to provide troops or police for joint actions against its will. The price for "opting out" would be political and financial support. The German vision draws

broad support from the smaller

First Euros go on sale to public

The first examples of officially minted Euros, the future European currency, went on sale in France yesterday - made of gold, and offered to collectors at 10 times face value, AFP reports from Paris. The coins have a double face value of FFr500 francs or Euro75, and carry an impression of the "Penseur" statue by French sculptor Auguste Rodin. A first run of 5,000 coins has

lum and immigration matters. as well as beefed-up co-operation against terrorism, organised crime and drug traffick-

been produced.

On Maastricht's common foreign and security policy, Germany is pressing for "differentiated integration". Bonn views consensus as the ideal on matters of vital interest, but favours more majority voting on decisions to execute poli-

The Germans are also float-

ing ideas such as constructive

countries such as the Benelux. Ireland and Italy, and the European Commission. But it collides with the British government's position as expressed in last week's White

Paper on Europe. The UK policy is containment. No more majority voting. No new powers for the European Parliament. No more EU-wide areas of responsibility such as energy or tourism. Limits on Union action. Limits on the retrospective application of judgments from the

which is driven by ideology rather than the prospect of practical benefit," says the White Paper. France could tilt the balance in the IGC: but so far President Chirac's mercurial brand of neo-Gaullism has kept Bonn and London guessing.

European Court of Justice.

"We shall not accept har-

monisation for its own sake, or

further European integration

Like the British, Mr Chirac gives the European Parliament short shrift (though his government is willing to go the European Court to protect Strasbourg as the MEPs' second home). And he insists that the Council of Ministers remains the principal forum for decision-making, particularly in foreign policy and

Yet Mr Chirac is considering proposals in Brussels and Bonn for flexible integration. This

internal security.

would allow some countries to move ahead of the rest, to integrate more closely in certain areas, without being held back by national vetoes. Britain nominally supports the idea, but worries that it

could lead to exclusive clubs or next, inevitable IGC.

with Spain and Italy, are all in favour of increasing the voting weights for large member states in the Council of Minis-If there is a wild card, it is the Nordic countries. A Swedish-led push for new treaty lan-

guage on employment is gain-

weaken common disciplines in

areas such as the single mar-

ket. More broadly, Britain,

France, and Germany, along

ing ground. The Nordics are also pushing for more open decision-making, believing this is one way to bridge the gap between Brussels and the ordinary citizen. Unless there is some progress in this direction, the new treaty could run into ratification difficulties in Scandinavia.

Everyone remembers Denmark's narrow No to Maastricht in June 1992; nobody wants a repeat performance in The need to keep an eye on public opinion is a powerful

incentive to hold off far-reaching institutional change - at least enlargement goes ahead in the early part of the next century accompanied by the

# Airlift keeps Arctic oil search supplied

brightly above a blanket of Robert Corzine joins some cabbages on a thick Arctic mist as the crew helicopter mission to Russian far north searched for Conoco's Polar Lights oilfield, inside the Arctic Circle at Ardalin in Russia's remote Nenets region, about 1.000 miles north-east of for 17 hours.

camp nor the gas flare that towers above it could be seen through the fog, but Captain Anatoly Oleferenko, an Arctic veteran, began a slow descent. The gloom quickly enveloped the helicopter to the point where the crew could no longer tell where the fog ended and the snow-covered tundra

The landing aborted, the Mil-8 scurried ahead of the pursuing fog bank to a helipad near Kharyaga, a ramshackle oil exploration and processing camp some 40 miles to the

south, where the fog caught up and grounded the helicopter

At the entrance to the camp Neither the lights of the a small group of Nenets, the nomadic local people, were selling frozen sides of reindeer meat piled high on sleds.

Inside, in one of the wooden barracks that house the several hundred or so oil workers at the site, Mr John Capps, the Texan in charge of the Polar Lights joint venture with a Russian company, explained that "delay is a typical Arctic experience. You start out to do something in one day and it winds up taking three".

not discouraged western oil

continue to scour the northern in the two or three metres of areas, where a number of large oil reserves were discovered by Soviet geologists but remained largely undeveloped because of the remoteness of the region and the focus of the Soviet oil industry on the giant fields of western Siberia.

"The attraction of the north is that there is no risk that the oil is not there." says Mr Capps. The big problem, he says, is lack of a large export pipeline from the region in the absence of roads and other infrastructure. Polar Lights can only be

resupplied with heavy goods,

ing the winter when bulldozers

Such problems have so far including fuel and pipes, dur-

companies whose executives can carve snow and ice roads

snow that cover the tundra. Even then, dense Arctic fog can also make overland travel For moving personnel, ligh-

ter goods like food and even lighter valuables like wages, the heated helicopters operated by specialist service companies are vital. All overland movement

becomes impossible in the summer: crossing the boggy tundra is "like walking on six feet of sphagnum moss", according to Mr Bill Willoughby, an Oklahoma engineer and the only American at Conoco's pumping station at Kharyaga.

Delays come in different he asked.

around Kharyaga on Sunday, Capt Oleferenko's helicopte remained firmly on the ground. "We're waiting on the cabbage," he explained to a handful of passengers.

cabbage safely on board, the Mil-8 resumed its journey towards Ardalin, following the elevated pipeline that links Polar Lights with Kharyaga, But a sudden wall of fog foiled that strategy and an approach along the track of a snow road also failed.

## forms in Russia's Arctic. When bright sun burned off the fog

With a dozen or so sacks of

When finally ordered to abandon the attempt to land at Ardalin and divert to Narvan-Mar, the region's administrative, capital to drop off his passengers. Capt Oleferenko had other ideas about his priorities "But what about the cabbage?"

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WS DIGEST n Spain faced with closure return to his old job tricken after losiv but costs

Poland's historic Gdansk shipyards, where Solidarity was born and where Mr Lech Walesa turned a strike over wages into a crusade which brought down communism, is faced with the prospect of

Its main creditor, the stateowned Bank Handlowy, has refused to enter debt reduction proceedings, and yesterday Mr Grzegorz Kolodko, finance minister, signalled the government was not inclined to extend further help to the yards which ran up an 88m zloty (\$35m) loss

in loan boosts shares of ) The cabinet will address the issue next week on the return of Mr Włodzimierz Cimoszewicz, the prime minister, from a visit to the Far East. "It will be the market and not the government which will be making the decision," Mr Kolodko said on Polish Radio. "If the market's decision is unfavourable then the government will accept it,"

Last year, the shipbuilding industry, including the successful Szczecin yards, was badly hit by the strength of the zloty. Ship prices for export

are linked to the higher rate of domestic inflation, which rose nearly 23 per cent last year.

The whole industry has been hard hit. But the Gdansk yards, bedevilled by poor management, a politicised workforce and badly negotiated con-

Mr Walesa is still a shareholder. He said after losing the presidency he would return to his old job as an electrician, but has yet to turn up

tracts were already threatened with losses. For five years the the backing of President Walesa. But he was defeated in last December's presidential elec-

The Gdansk yards are statecontrolled, with 40 per cent of the equity held by the employees, including Mr Walesa who announced his intention to

return to his old job as an elec-trician after losing the presidency but has not yet done so. Last year the yards, which build bulk carriers, earned 270m zlotys, a 22 per cent increase on the previous year.

But it owes 350m zlotys to creditors, of which 200m zlotys is owed to the banks. Bank Handlowy, the biggest creditor, is owed more than 75m zlotys; local utilities are demanding immediate payment of bills worth 15m zlotys.

The Privatisation Ministry is preparing a report on the situation but Mr Wieslaw Kaczma-rek, privatisation minister, told parliament the options for survival had been narrowed to finding an investor for the yard or additional government support. Mr Kolodko has now raised an even more painful alternative: closure. Six vessels are under con-

struction with 26 on order. A restructuring plan by the yard's management admitted most prices would have to be renegotiated if future losses were to be contained.

The plan, termed financially "unrealistic" by analysts. assumed 2.100 of the yard's 7.300 workforce would be laid



The Gdansk shippards still employ 7,300 workers. But poor management and badly negotiated contracts have threatened closure. Lech Walesa (above) leading a Solidarity strike there in 1988

## Market forces close in on birthplace of Solidarity French factory workers flushed with victory

By Andrew Jack in Paris

A French company which attempted to restrict its workers' rights to go the lavatory was yesterday over-ruled in a precedent-setting ruling in a local labour tribunal.

The consell des prud hommes ruled that Bigard, a meat preparation group based in Brittany which employs 3,000 people around the country, must allow employees complete liberty to respond to their needs, as long as they inform their supervisors.

The ruling followed a decision by Bigard's executives last July to limit nearly 300 employees at a factory in Quimperlé to three breaks of five minutes each for visits to the lavatory at specified times of day - two in the morning one going outside these times had their pay docked.

The action triggered a strike in the town, where nearly a third of the working population is employed by Bigard. The strike was led by the strongest union in the plant, the CGT. "On the eve of the

year 2000, it seems aberrant to us to become robots required to go the toilet at fixed times, said Mr Alain Lamouroux, the local representative.

An initial ruling by four members of the labour tribunal last December failed to reach a consensus - the two employee members were opposed to the new rules with the two business members in favour. The independent judge brought in to resolve the stalemate sided with the employees. Mr Lucien Bigard, chief executive of the group, claimed that the conflict was "a false problem" triggered by a "hard-core" of CGT members, who launched legal

action last autumn. However. Mr André Cheminant, the lawyer representing the workers, said yesterday that he had searched in France any other case of a company attempting to restrict employees' rights in this way.

"This was a first, and I think it will be a last," he said. Bigard refused to comment yesterday. It has not yet decided whether or not to

# Giving SPD a good name, for a change

Judy Dempsey on the campaign trail in Schleswig-Holstein

or the past two months Heidi Simonis, the **A** prime minister of Schleswig-Holstein and Germany's only woman premier, has travelled the state's flat terrain in an attempt to ensure her Social Democratic party (SPD) is returned to power in

elections on Sunday. The party needs an outright victory. If it were forced to form a coalition with the Greens, who have scored a consistent 9 per cent in the opinion polls, it could jeopardise attempts by Ms Simonis to introduce reforms such as privatisation and the implementation of a transport policy which includes extending the A-26 motorway across the

Schleswig-Holstein's Greens are passionate opponents of that transport policy, which would improve links between Scandinavia via the state to the rest of Germany. The recent dispute within the SPD Green coalition in North-Rhine/Westphalia over the expansion of Dortmund airport has provided a salutary reminder to Ms Simonis of the potential price of a marriage with the Greens.

Ms Simonis needs a convincing win for another reason. Although she is reluctant to discuss her political ambitions, her supporters see her as a potential candidate for chancellor.

The campaign has not been an easy one. Temperatures have rarely been above zero and this ebullient politician. famous for her collection of large hats, has had to contend with a people even more famous for their paucity of

through 120 towns and villages, Ms Simonis has brought them out. Instead of delivering the usual political monologue, Ms Simonis, often wrapped in a big black woollen cape and topped with a spectacular hat, has chosen to speak for only a few minutes. She appears to seek debate rather than consensus - a "breath of fresh air in the SPD at last", according

"People are beginning to speak out a bit more. They talk about the fear of unemployment, the threat to the pension scheme, problems of refugees, cutbacks in the civil service, issues they assumed been sacrosanci," she

Indeed, since taking over the state's SPD leadership four years ago, Ms Simonis has herself chiselled away at certain dogmas in a party considered one of the most left-wing among the SPD-governed states. Stakes held by Schleswig-Holstein in the banks and some industry have been reduced and the receipts channelled into research and development and a new technology centre as the economy shifts from agriculture and shipping

to trade and services. And in spite of complaints from the state's opposition Christian Democrats and lib-

eral Free Democrats about higher taxes, bureaucracy and increasing environmental legislation, the SPD this year will reduce the budget deficit by DM200m (\$135m) to DM1bn largely through social spend-

Mr Peer Steinbrück, the economics minister, says however that one of the main casualties of the cuts has been investment expenditure, which has fallen from 11.8 per cent of total expenditure to 11.2 per cent this year. "It's the price for putting our finances into order," he says.

The SPD managed, last year at least, to keep unemployment in the state below the west German average, recording a rate of 8.1 per cent compared with 8.3 per cent. How-ever, figures for last month show the jobless rate creeping

She brings out her audience, apparently seeking debate rather than consensus - a "breath of fresh air in the SPD at last", according to one voter

above 9.8 per cent, 0.2 per cent above the west German average. Gross domestic product grew 3 per cent compared with the west German average of 2.2 per cent

Mr Ottfried Hennig, leader Somehow during her tour of Schleswig-Holstein's CDU, and Mr Ekkehard Klug, FDP leader in the Landtog, or state parliament, hold the SPD responsible for the rise in unemployment. In particular, they charge Ms Simonis with imposing a battery of environmental regulations and taxes on the Mittelstand, the small and medium-sized enterprises, which have slowed growth or investment decisions.

But in what sounds like frustration with their own parties in power in Bonn, both opposition politicians concede that the CDU/FDP federal government coalition has been no shining example of flexibility, having failed to introduce much-needed reforms including financial and labour market deregulation and even the much-debated longer shopping

Ms Simonis senses this paralysis in Bonn and in the SPD's federal leadership of which she is a member. "There is a sense of frustration among the young people. They are fed up with the bureaucracy, the interference by the state and the sense of paralysis on the federal level. That is why we need another stint in power to push through much-needed reforms. That's my present ambition," she said as her campaign bus rolls into another small town. Lee Chun Jung borrowed an umbrella to reach the top of the world.



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## Mexico's banks lick their wounds

Gloom marked bankers' annual get-together in Cancún sun, writes Leslie Crawford

he annual get-together of Mexican hankers. held last weekend in the sunny resort of Cancún, had all the levity of a convention of undertakers.

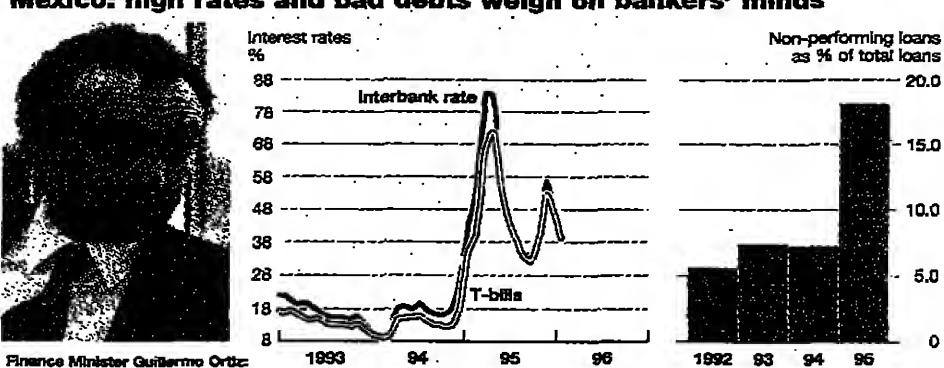
in open-necked shirts and tropical suits, the assembled bankers surveyed the wreckage of last year's financial crisis and the mortality rate in their midst. Of the 18 banks privatised four years ago, six have collapsed and have been placed under government control. Others, their capital wiped out by bad debts and mismanagement, have been taken over by foreigners.

Mr José Madariaga, president of the Association of Mexican Bankers, does not even own his bank any more. Mr Madariaga's Probursa was the first to capitulate to foreign ownership when Banco Bilbao Vizcaya of Spain, a minority shareholder until last June. took control and recapitalised the bank to stem the financial haemorrhage caused by heavy

loan losses. Mr Madariaga opened the proceedings in funereal mood-"In the cauldron of the crisis." he said. "Mexican banks have reached the very limits of sur-

vival". The severe recession last year, the worst since 1932. caused bank deposits to plunge 18.5 per cent. Funding had been slashed 21.5 per cent. Non-performing loans had almost trebled to 137bn pesos. equal to 18.3 per cent of the banking system's total loan portfolio. In the US, banks are deemed to be in trouble when their bad loans rise above 3 per

Mexico: high rates and bad debts weigh on bankers' minds



kitional Banking Commission and Association of Mexican Bankers.

cent of the total. Mr Madariaga might also have mentioned, had it not already been painfully obvious to the assembled figures of finance, that they were all considerably poorer as a result of the financial crash that followed the devaluation of the peso in December 1994.

urging bankers to start lending again

As bad loans mounted in the system, bank shareholders were forced to reach deep into their pockets to recapitalise their institutions. Nevertheless, most Mexican banks are now worth less than what their owners paid for them in 1992, while the combined stock market value of Mexico's financial groups is only one-third of the \$30bn they commanded before

the devaluation. To add insult to injury, Mr Madariaga complained that banks were being unjustly blamed by Mexican society for the hardships imposed by the economic slump.

To underline his point, a group of angry debtors briefly stormed the convention hall on Saturday. The militant tactics of Mexico's debtors' movement, known as El Barzon ("the yoke"), have been the nightmare of Mexican bankers since the crisis began. The demonstrators only abandoned the hall after being promised a meeting with banking authorities. Their scattered leaflets called for immediate debt forgiveness and an end to the "usury" of Mexican banks.

Mr Eduardo Fernandez. Mexico's chief bank regulator, had few words of comfort at the convention. Emergency schemes to keep banks solvent and provide interest relief for small debtors would cost the government an estimated 5.5 per cent of gross domestic product (about \$11bn), Mr Fernandez said. But he offered little hope of more government help in the future.

Regulation would become stricter, he declared. From the middle of the year, Mexican banks will have to start following US accounting practices, a change expected to swell nonperforming loans by 70 per cent, according to Mr Fernandez's calculations. Banks will also be required to hold greater reserves against currency and interest rate risks and equity positions.

Mr Fernandez urged bankers to speed negotiations with cordefaults has been high.

porate clients who are struggling through the recession with heavy debts. The government, he said, would seek to create a market for discounted loans by liquidating the assets of the banks under government control. The government was also working to remove legal obstacles in the way of the securitisation of mortgages. another area where loan "We need more imaginative

structuring process," Mr Guil-lermo Ortiz, finance minister, told the conference, without illuminating what these might be. He exhorted bankers to go forth and start lending again.

formulas to speed the debt-re-

particularly to cash-starved small and medium-sized companies, without indicating when interest rates might begin to fall. He offered no hope of a relaxation in fiscal or monetary discipline, without which, he said, Mexico would not be able to resume sustained growth.

The mood at the convention did not lighten with the arrival of Mr Larry Summers, undersecretary at the US Treasury. who dropped into Cancun for two hours to exhort Mexico to "rely ever more on market forces" and speed its privatisation programme, which has run into political difficulties in

Thumping the podium, Mr Summers told some of the richest men in Mexico that economic development could not be achieved without a more equitable distribution of wealth, and he warned them against the temptation of laundering drug money. "Those who traffic in the profits [of drug traffickers] must not go unpunished," he said.

Outside the conference hall there was little evidence of the backroom deals that buzzed in conventions past. Foreign bank representatives said there was little appetite to lend to Mexico's troubled banks. They had mainly come to assess the situation, before heading for the Caribbean sun.

> tions as well". Codelco lost about \$170m through speculative trading in the LME's copper market between 1990 and 1993. Mr Juan Pablo Davila, the group's former head of futures trading, was charged last year with fraud against the state. He dealt with 22 other LME

> brokers as well as Sogemin. The Chilean group has made it clear the writs did not refer to the \$170m losses but that it was trying to recover only what it claimed were excessive commissions and other allegedly improper payments made during 1990-93, plus interest and damages.

## Sogemin suspends three US staff

By Kenneth Gooding, Mining Correspondent

Three US employees were yesterday suspended by Sogemin, the London Metal Exchange trading company owned by Union Minière, the Belgian metals group.

This followed the issue of an amended writ in the Loudon High Court by Chile Copper Corporation (Codelco), which is suing Sogemin over losses the state-owned group suffered in the LME's copper market.

Two of the employees were named in the writ: Mr David Davis, chief executive of Soge-min's US subsidiary, and Mr Paul Tweddle, a trader.

Sogemin said the two men and a third employee it refused to name – had been suspended while further inquiries were made. The company said it "will continue to defend these proceedings vigorously and will consider appropriate action arising from an investigation into these allegations".

Codelco issued its first writ against Sogemin in December. Mr David Natali of Herbert Smith, Codelco's solicitors in London, said yesterday the writ had now been broadened and included claims against

Mr Davis and Mr Tweddle. He said investigations continued in the UK and elsewhere and promised there would be further developments in London, the US "and conceivably in other jurisdic-

## Muddy lake and nine trou bring misery to mining giants

By Semand Simon in Toronto

Canada's mining industry is starting to wonder whether government fisheries officers have too much time on their

Their zeal as piscatorial guardians first came to the fore when a deal last year to buy a gold and copper mine at Kemess, British Columbia, was held up by protracted negotiations over the fate of nine trout found in streams where a tailings dam was to be built.

Then last week, the Canadian subsidiaries of two multinational mining companies, UK-based RTZ and Australia's BHP, appeared in court in the Northwest Territories on several charges of violating the fisheries act. If found guilty, BHP Canada and Kennecott Canada could face fines of over

The two companies have unearthed vast diamond deposits in northern Canada over the past few years. BHP is on the verge of building a C\$500m (US\$365m) mine at Lac de Gras, 300km north-east of Yellowknife, the Northwest Territories' capital.

\$500,000 each.

The charges allege, among other things, that the companies deposited "a deleterious substance in water frequented by fish," and harmfully altered or disrupted a fish habitat.

The prosecutor in the case declines to elaborate. But the charges appear to centre on allegations that drills used to extract rock samples from below two lakes on BHP and Kennecott properties have turned the lake water muddy. No fish have died and no toxic chemicals have spilled into the lakes. BHP estimates 91 adult fish live in one of the lakes.

BHP is confident the waters of Misery Lake will clear again as the spring thaw sets in. In any case, the lake is one of five, ranging in size from 14 to 62 hectares, that will be

pumped dry in coming gain access to the diame bearing kimberlite pen beneath them. BHP plans save sediment from the book of the lakes in the hope of using it to nurture new plants It has promised to restore all five lakes at the end of the mine's estimated 20-year life, BHP has pleaded not guilty. while Kennecott has yet in enter a plea.

Mr Kevin O'Reilly, research: director of the Canadian Arctic resource committee, a local "if you put anything into water that may be harmful to fishyou're guilty."

The muddy waters were apparently first spotted by fish. eries inspectors from the gir They are expected to base their case partly on a recent govern. ment report which recommended that more research was needed on the possible toxicity of kimberlite rock.

The fisheries department says it is simply doing its job. Mr Gerry Swanson, directorgeneral of habitat management, says the negotiations at the Kemess mine have involved more than nine trout "We're looking at the capacity." of the river, lake or stream to produce fish," he says.

The mine owners and the fisheries department, however. are still hoping for a compromise on the issue.

As for the muddy Arctic lakes. Mr Swanson says that "our staff investigated a com-:-plaint, consulted with the department of justice, and it was decided it was appropriate to lay charges."

The mining industry has a different perspective. The Northern Miner, a trade journal, concluded in a recent editorial that "the collapse of the east coast fishery and the neardecimation of west coast salmon stocks have left a lot of Canadian fisheries officers with not a heck of a lot to do."

# Divided opposition may kill Chile reform

By Imogen Mark in Santiago

Efforts to reform Chile's constitution, inherited from the military dictatorship of President Augusto Pinochet. now seem certain to be defeated because of serious divisions within the National Renovation, the main opposition party.

The package, proposed to Congress last August by President Eduardo Frei, aims to

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reform what government parties say is the undemocratic nature of the 1980 constitution. which set up a series of nonelected bodies to act as checks on the power of congress and the president.

There are, for example, designated senators, four of them named directly by the armed forces and still under the influence of the outgoing military regime. These have given the opposition a built-in majority

in the Senate over the past six years, and continue to block the present initiative to vote them out of existence.

However, the cost of rejecting the package may be greater for the opposition than for the government. The chances appear high that the National Renovation party will split over the issue, at the same time dividing the right-wing opposition alliance. A recent opinion poll carried

out by CEP, a liberal thinktank, shows a solid majority of Chileans think that the constitution should be changed. This means that a divided opposition could lose a lot of votes in upcoming municipal elections this October and in congressional elections in December 1997.

Government parties may be able to capture votes on the strength of the perception its former military rulers are still influencing national politics

Mr Andres Allamand National Renovation's president, said at the weekend that if the hardliners in his party, grouped around seven of its 11 senators, continued to defy the party mandate to vote in favour of constitutional reform next month, then "the centreright will be committing a monumental and historic mistake, with enormous implica-

and distorting democracy.



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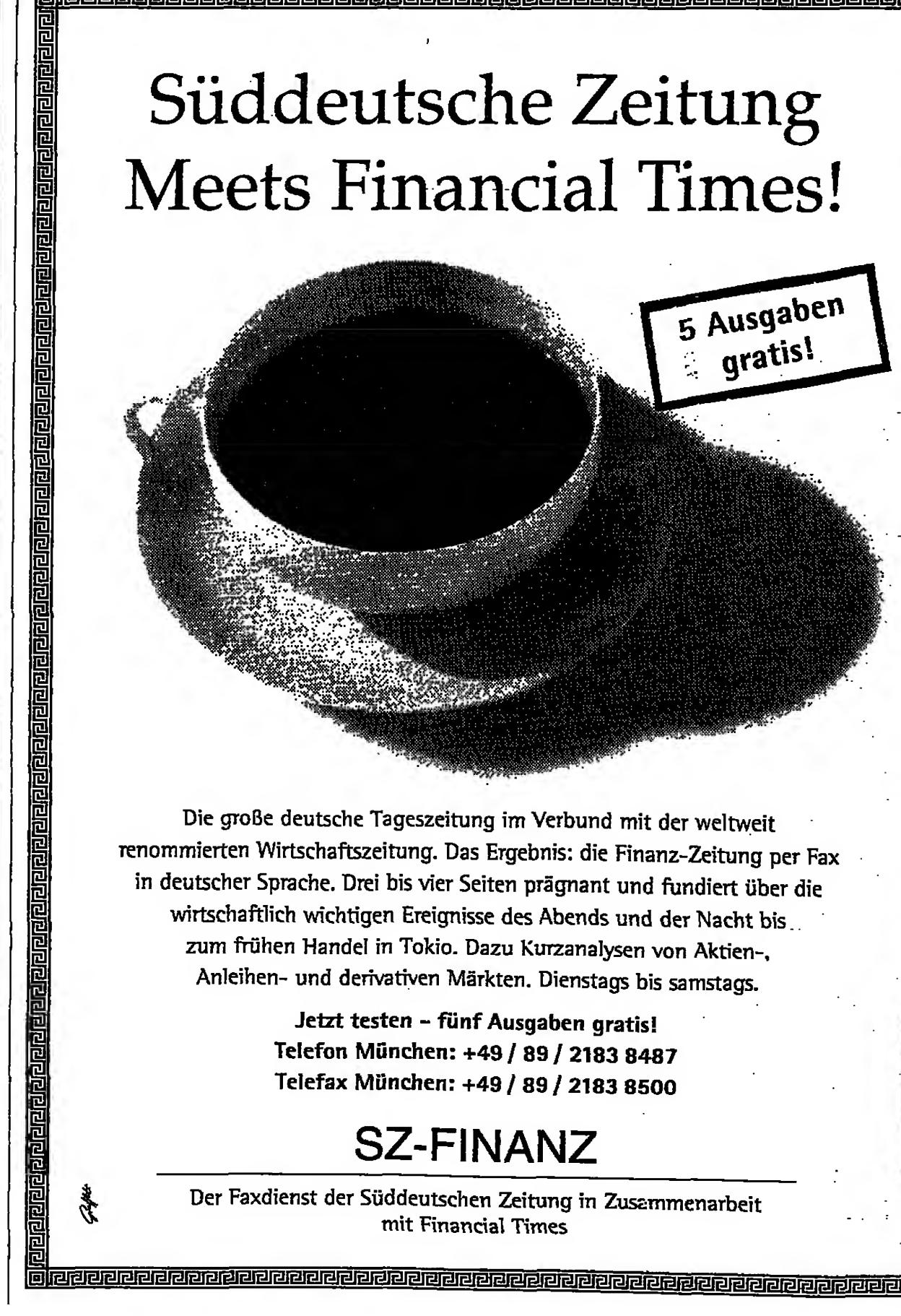
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# Clinton digs in heels on business law

By Richard Waters in New York

Ambitious plans to overhaul the US's system of assessing civil damages appear to have collapsed, following an announcement by President Bill Clinton that he would veto any legislation which sought to limit the damages awarded against manufacturers in product liability cases.

The move is a further example of the president's growing willingness to stand firm against business-friendly legislation promoted by the Repubican Congress.

ages against a manufacturer in On Saturday, Mr Clinton

said he would refuse to sign into law a bill which would limit damage awards over faulty products, since this would benefit "irresponsible companies willing to put prof-its above all else" by "know-

ing defective products." The bill, which had been expected to be presented for his approval within days, was the last vestige of a much broader reform of civil damage suits once proposed by Congress. The legislation had been progressively narrowed in scope. In its latest form, it would limit the punitive dam-

ingly manufacturing and sell-

a federal court case to \$250,000, or, if greater, twice the actual damages awarded.

While federal legislation has foundered, however, a number of states have taken action themselves to limit damage awards in cases involving such things as product liability, medical maipractice and bodily injury cases.

Mr Clinton demonstrated a similar willingness to veto probusiness legislation late last year with an attempt to block a securities litigation reform bill, which was designed to insulate companies from some shareholder suits. That veto, though, was overriden by a

large majority in Congress. This route does not appear possible for the product liability bill, given its narrower base of support in Congress.

The president's critics have accused him of being in thrall to a powerful lobby group of lawyers, who benefit from laws which give consumers and others greater powers to sue companies. Those allegations resurfaced over the weekend as Mr Bob Dole, frontrunner for the Republican presidential nomination, lambasted the president over his declared intent to use his veto power. Mr Clinton has also made clear his determination to

stand in the way of proposed changes to environmental laws. Last week he accused Congress of "gutting federal safeguards to cater to corporate interests."

That battle could come to a head this spring as Congress struggles to agree an overhaul of the Superfund legislation after two years of effort. Chemicals companies, insurance groups and other business interests have complained that the current legislation, which seeks to share the cost of cleaning up contaminated industrial sites, is unfair and leads to excessive amounts of

## Patti Waldmeir on disillusionment with parties gripping Michigan's edgy workers

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## Swing voters wake from American dream



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American dream. Now, it is the backdrop to its crisis. With the Republican presidential primary contest effectively over. areas like Macomb home to millions of disaffected voters take centre stage in

Clinton: resisting the relentless pressure from hig business

the campaign for the November presiden-

tial election. This is the land of the "swing voter", who has been critical in determining the outcome of presidential elections for a

Macomb County made such voters famous in the 1980s, and gave them a name: "Reagan Democrats", the bluecollar voters who deserted the party of their class and their birth, to vote for a Republican president. Today, they will vote along with other Rust Belt states in Republican presidential primaries which will virtually seal Senator Bob Dole's nomination as his party's candidate in November.

Once the most Democratic suburb in the nation, Macomb voters last chose a Democrat for president in 1968. They voted twice for President Ronald Reagan, and twice for President George Bush (most recently against Mr Bill Clinton). But given a third choice, in 1992, 22 per cent chose Mr Ross Perot, the independent candi-

Local politicians say the area is now roughly split: one-third Republican, one-third Democrat, and

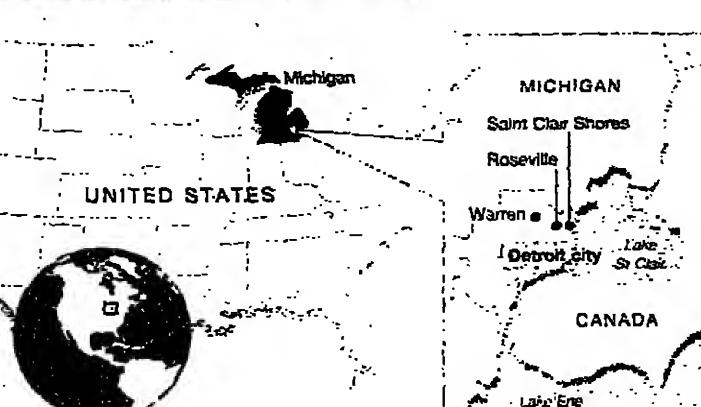
In the 1950s Macomb one-third independent.
County, Michigan, Mr Clinton's pollster in the 1992

campaign, Mr Stanley Greenberg says Macomb is emblematic of a larger crisis in American political life. In his book Middle Class Dreams: the Politics and Power of the new American Majority, he uses Macomb in his argument that both major parties have betrayed those dreams, leading to "the collapse of the dominant political traditions that organised American politics for nearly a century". He says the 1996 presidential election will be won by the candidate who best understands Macomb's sense of

This was a community of true believers, people who bought into the American dream, and the Democratic New Deal which was supposed to help make it happen. Both dreams paid off for them in Macomb: working class people, most without college degrees rose to middle class prosperity and status, with the help of the trade unions and the Democrats.

The matchbox brick houses of St Clair Shores, Roseville and Warren were tiny, featureless, and ranged in rows of numbing uniformity: but the new residents, most of them immigrants from poor Detroit families who came to work in the motor industry, owned and cared for them with pride. Each family had a car, a full refrigerator, a secure breadwinner, and

aspirations for the future. Macomb seemed to fulfil the Democratic party promise: that government could help working people prosper. In return, loyalty to the party was assured Now, says Mr Richard Sabaugh, son of a carworker who emigrated from Dissatisfaction in the suburbs



Detroit to suburban Warren, "people have given up on parties." "It used to be that the Democrats

were the party of the working person and the Republicans were the party of the rich. It's just not like that any

Mr Sabaugh, who served as a Demo-

cratic councillor for 20 years, is now a Republican. But many, perhaps most other "Reagan Democrats", would say they are independents. They will cross class and party lines

to vote for any candidate who speaks to their concerns: job insecurity, technological change and disgust with pol-

That makes them an unpredictable, potentially volatile electorate, happy to elect a US congressman, Mr David Bonior, who is one of the most liberal of Democrats, while also choosing one

the most conservative of Republican governors. Mr John Engler.

They are electoral free agents, easily swayed by candidates such as Mr Pat Buchanan, economic nationalist and class warrior. Macomb County's Republican primary vote today will be an important test of his support. Many factors destroyed Macomb's

devotion to the Democrats: first, and most powerfully, was "busing", the Democrats' plan to integrate local schools by transporting black and white schoolchildren across racial boundaries. Pure-white Macomb - which

remains overwhelmingly white today - revolted. Over time the perception grew that the Democratic party cared more for black welfare mothers in Detroit than for "Joe lunchbox". Macomb's angry white male.

Reagan Democrats, many of them immigrants, had no historical memory of racist oppression, and felt no obligation to make amends for it. They believed the Democratic party had turned its back on the working

man: they replied in kind. Trauma in the motor industry, which shed half its workforce between 1973 and the end of the 1980s, exacerbated their sense of betrayal. While the Democrats seemed powerless to ease their distress, Mr Ronald Reagan lifted their spirits with his vision of "morning in America". Mr Reagan is still lauded as a hero: one local talk show host last week compared him, to great acclaim from his listeners, to George Washington and Abraham Lincoln

But devotion to Mr Reagan does not mean loyalty to his party and Macomb's electoral character remains strongly independent.

More than anything, Macomb voters specialise in the politics of rage. Many resent the fact that they are working harder to earn less. Most simply dismiss the figures for strong economic growth as the cynical manipulations of economists and politicians: they do not feel better off (partly because of a pronounced shift from high-wage motor industry jobs to low-wage retail employment). Even if they do, they doubt good times will

That leaves Macomb's state of mind profoundly out of step with current economic reality, and the discontent feeds on itself, with every news report or candidate appeal to the "downsized" American worker.

# Dole ponders Midwest running mate

By Patti Waldmeir in Lansing,

Senator Bob Dole, frontrunner for the Republican presidential nomination, wound up his campaign for today's Midwest primaries alongside the man who could emerge as his running mate: Governor John Engler of Michigan.

Today's primaries are likely to confirm the 72-year-old Senator as the likely Republican candidate for president - making him the oldest man ever to launch a bld for the White House. Attention is now focusing on his choice of vice-president. Under the US constitution, the vice president succeeds to the presidency if the incumbent dies or is incapacitated in office.

Mr Dole is believed to be considering the popular Republican governors of all states which vote today -Michigan, Wisconsin, Illinois and Obio - as potential running mates. President Bill Clinton carried all four states in 1992, and winning them this year would be crucial to a Republican upset.

Speculation has focused on Mr Engler because of

his zealous campaign for

welfare reform in Michigan. Since becoming governor in 1990, he has taken a lead in nationwide efforts to cut the cost of welfare by encouraging the Michigan unemployed to find work, by paying for social services such as childcare. The

governor is widely popular in

his home state, where he has

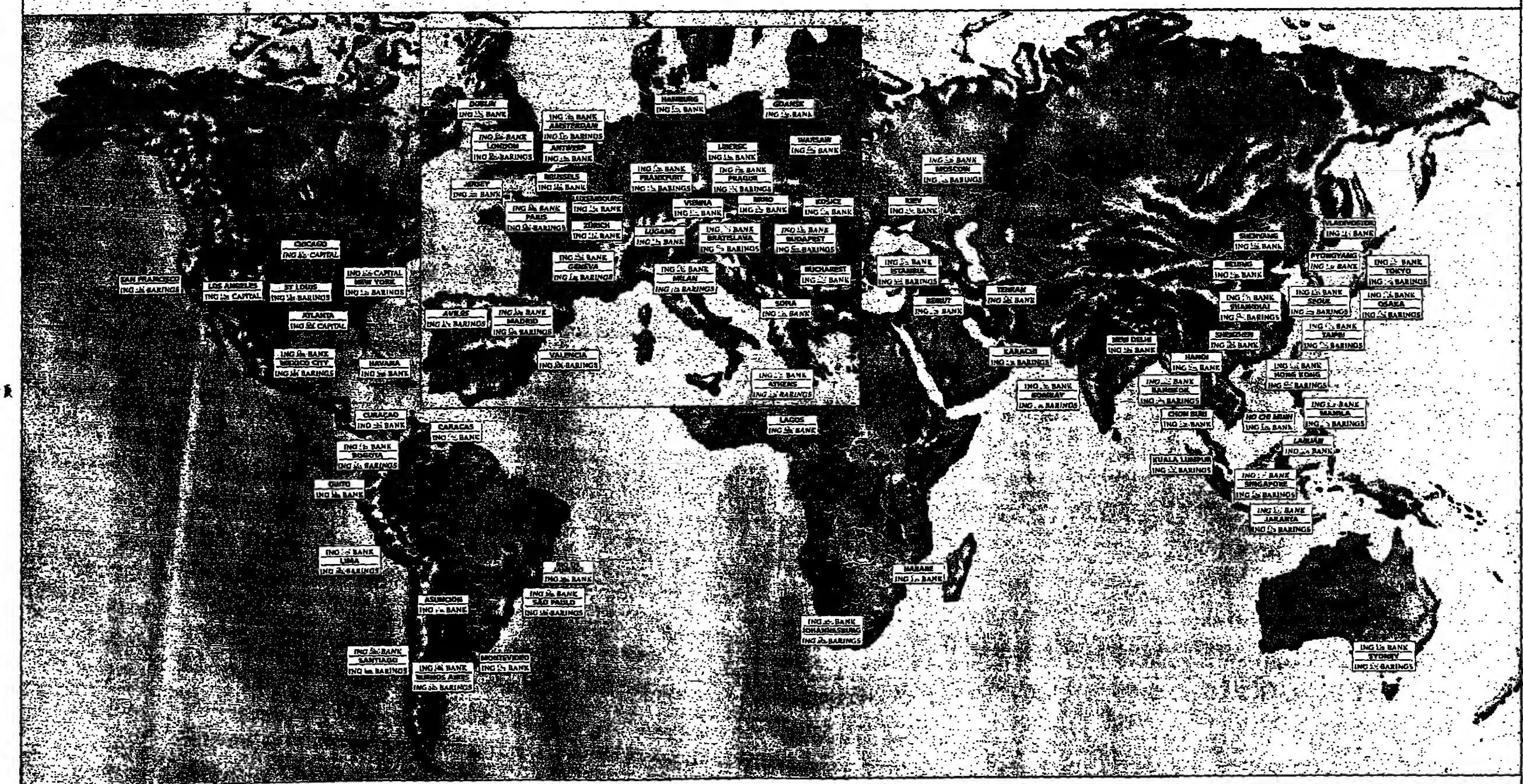
cut taxes 21 times since 1990. Mr Engler, a strong advocate of shifting power from Washington to the states, yesterday dismissed speculation he might be Mr Dole's running mate. But he said he would consider the post if asked. Mr Engler's views on abortion - he opposes it - could prove more palatable to Mr

Dole than those of another speculative running mate. retired Gen Colin Powell, who supports abortion. At the weekend Gen Powell expressed annoyance that his

name was so frequently bandied, speculation that the majority leader has himself intermittently fanned. Three other Midwestern gov-

ernors are also seen as possible contenders for vice president: Mr George Voinovich of Ohio, Mr Tommy Thompson of Wisconsin and Mr Jim Edgar of Illinois.

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ING BANK

stricter controls on enforcement by shift-

ing the emphasis of inspections to live

animals. Member states will be obliged to

carry out more more frequent, and ran-

dom, checks of farms and slaughterhouses.

they are caught using banned substruces.

If a farmer is found treating a cow with

any one of the banned hormones, premi-

ums for the whole herd will be withheld

for a year. At present farmers are penal-

ised only for those animals treated with

the hormones. On a second offence, premi-

ums will be withheld for up to five years.

decide how best to levy charges against

producers to meet the increased inspection

costs, although the Commission will look

to beta-agonists, which are designed for

veterinary use, such as helping horses

with respiratory problems and cows with

who knowingly buy pirate

discs and cassettes. Instead,

the industry plans to appeal to

consumers' desire to support

local talent. There are plans

for an awareness campaign of

leaflets and posters, featuring

If it is to force illegal record-

ings out of the shops and street

markets, the industry will also

have to convince the consumer

it is worth paying more for

legal recordings. That may be

hard, as the average Italian

spends just L12,000 (\$7.70) a

year on recorded music - only

slightly more than the average

Mexican - and a legally pro-

duced compact disc costs more

Industry representatives nat-

urally deny that steeper CD

prices may be encouraging

consumers to look for cheap

alternatives. But they do

believe that eradicating piracy

will enable the industry to

hold down its prices, as the

volume of legitimate sales

improves. "The market

increased so substantially in

Spain, that the record compa-

nies did not need to increase

prices over time," according to

Mr Paul Russell, president of

Italian stars.

than L30,000.

calving difficulties, but which are open to

Ministers also agreed to extend the ban

into a harmonised financing scheme.

misuse as growth promoters.

In the medium term, states will be left to

Farmers will also face tougher fines if

By Caroline Southey in Brussels

European Union agricultural ministers yesterday agreed to introduce tighter controls and tougher sanctions to improve the Union's controversial ban on the use of growth-promoters in meat production, reassirming the EU's commitment to a regime which includes a ban on imports of hormone-treated meat.

The decision sets the Union on a collision course with the US, which has challenged the ban on imports through the World Trade Organisation. It also rules out any compromise being found between the two during their first round of consultations next week. The US complaint has been backed by Australia, New Zealand and Canada.

Britain alone voted against the proposals, arguing that it was "premature" to take a vote reinforcing the regime before the WTO consultations. Britain has opposed the ban since its introduction in sures to improve implementation of the 1988, arguing that Union policy on growth hormone ban within the EU. These include

promoters should be based on scientific evidence.

A recent scientific conference in Brussels, attended by 80 leading international scientists, concluded that there was "no evidence of human health risk arising" from the controlled use of five hormones pestradiol beta 17. progesterone, testosterone, zeranol and tenbolone. The five are banned in the EU but not the US.

But Mr Franz Fischler, EU commissioner for agriculture, said yesterday that the EU's policy was not "simply a question of scientific evidence. It is also based on the need to prevent falls in meat consumption in the EU. The only course we can see is to defend the ban at the WTO." He said tighter controls were in the

interests of the consumer and were based on the conclusions of the conference, which had criticised existing preventive measures as inadequate.

The farm ministers agreed new mea-

## Bataan N-plant converted

By Edward Luce in Manila

The Philippine government yesterday said it would open the controversial Bataan nuclear power plant to international tender for conversion to a gas-fired station, 10 years after it was mothballed for safety reasons.

The decision comes five months after the government struck a \$100m out-of-court settlement with Westinghouse, the US company which allegedly overcharged the Philippines for the \$2.1bn plant on an earthquake fault line. The tender means that up to 3,000MW of new capacity will

be up for bidding this year. In addition to the 620MW nuclear plant, which will be converted to a 1.500MW gasfired plant within four years, the government announced new dates for the rebidding of a 1,200MW gas-fired plant in Batangas, cancelled last year.

More than 16 companies. including Bechtel, Enron and Marubeni, plan to submit bids for the Batangas project. which had originally been connected to the conversion of the Bataan nuclear plant on an "either/or" basis. Under yesterday's decision both plants will be tendered separately later this year.

"We came to the conclusion that demand for energy in the Philippines is rising fast enough to accommodate another 3,000MW by 2001 or afterwards," said Mr Guido Delgado, president of the National Power Corporation (Napocor), which is to be privatised next year.

Napocor says the government hopes this will end the long controversy over both plants. Consolidated Electric Power Asia (Cepa) of Hong Kong was disqualified as winning bidder for the \$1.5bu Batangas plant last year for including Westinghouse 501P gas turbines in its proposal.

Cepa, which has not yet decided whether to participate in the rebidding in September, failed to persuade the government that Manila's subsequent deal with Westinghouse should retrospectively validate its original bid. Under the settlement. Westinghouse gave two 501F gas turbines worth \$30m apiece to the Philippines. plus \$40m in cash. The government has invited bidders for the second round to include the Westinghouse turbines in

The government also said yesterday that it would bar one company from winning both bids. Gas for the two plants will be supplied from the Malampaya gasfields in the Philippines, which are British Gas and Shell Pilipinas, the local arm of the Anglo-Dutch group.

**II UNITED STATES** 

### Amtrak in order for high-speed trains

By Richard Tomkins in New York

The first high-speed passenger trains to operate in the US are scheduled to start running between Washington, New York and Boston in 1999, following a decision to press ahead with the project by Amtrak, the body that operates passenger trains in the US.

Amirak has chosen Bombardier of Canada and GEC Alsthom, an Anglo-French consortium, to provide a custom-built fleet of 18 trains that will travel the route at speeds of up to 150mph. The contract is worth \$611m.

At present, top speeds on the line are 125mph between New York and Washington and 100mph between New York and Boston. The new trains will use technology that allows them to lean into curves, making higher speeds possible on existing tracks.

The announcement reflects an awakening of interest in high-speed rail travel in the US. Last month Florida said it had chosen a private sector consortium to build and operate a high-speed railway system between Miami. Orlando and Tampa at a cost of \$4.8bn.

Florida's plan is more ambitious than Amtrak's because it involves the construction of new, high-speed railway lines, enabling trains to travel at 200mph or more. But the project faces a number of uncertainties and is not due for completion until 2004.

The total cost of Amtrak's project is \$1bn, of which \$321m is being spent on the electrification of a stretch of line between New Haven and Boston. At present, electric trains have to make a time-consuming switch to diesel locomotion for this leg of the journey.

Amtrak which is owned by the US federal government, said the new trains would use many of the best features of those developed by GEC Alsthom for France's TGV network, but they would be custom-built in the US to suit the

needs of the domestic market. Amtrak had earlier experimented with several European train designs such as Sweden's X2000 tilting trains and Germany's TGV-style InterCity Express. Its decision to choose a custom-built train appears to reflect the wide differences between countries' railway systems, making it difficult for operators to find suitable off-

the shelf products. In an unusual public-private sector financing arrangement. Bombardier and GEC Alsthom will meet the cost of building the trains, hoping to recoup their investment by taking a under the joint management of | slice of the fare revenues. Amtrak believes the trains will more than cover their costs on this busy route.

WORLD TRADE NEWS DIGEST

## Conoco to seek oil off Taiwan

Conoco, the US oil concern, has joined forces with Taiwan's state oil monopoly. Chinese Petroleum (CPC), to explore for oil and gas in the Taiwan Strait. Under a deal signed yesterday, Conoco will invest at least \$65m to develop 13 wells over five years. Conoco, the energy arm of Du Pont, the US chemical concern, will take a 75 per cent stake in the venture, but CPC. has the option to increase its holding to 50 per cent later. Taiwan is heavily reliant on energy imports to fuel its fast growing economy and the project is in line with efforts to develop its own energy sources. Production is to last 20 years and CPC will buy all the oil and gus produced to supply the

domestic market. Mr Archie Dunham, president and chief executive of Copocasaid the Taiwan venture was part of the company's strategy to expand its presence in Asia. China, angered by what it perceives as Taiwan's drive for independence, has staged missile tests close to Taiwan's two biggest ports and two rounds of military exercises in the Taiwan Strait this month. However, both Taipei and Beijing appear determined to keep their political differences separate from economic issues of Luura Tyson, Taipei mutual benefit.

#### Optimistic Boeing to lift output Boeing, the US aircraft maker, yesterday followed up its recent, optimistic forecasts for worldwide air travel over the next 20 years by announcing increases in aircraft production

rates planned for 1997. The Seattle-based company said its decision, which will involve three of its models, reflected the positive market

outlook for new aircraft. Boeing expects total deliveries this year of all its aircraft types to reach about 215. In the first quarter of next year, the company will raise the 737 model production rate from 8.5 aircraft a month to 10, while the 757 model will return from a Michael Cassell, London monthly output of three to four.

#### Uruguay Round tops agenda

Implementation of the Uruguay Round of global trade talks will be the main item on the agenda for the World Trade Organisation's first ministerial meeting in Singapore next December, senior trade diplomats agreed yesterday. WTO ambassadors, meeting for the first time to discuss plans for Singapore, also gave broad backing to a five-point outline agenda put forward by Mr Renato Ruggiero, WTO director general. In addition to implementation issues, the proposed agenda also covers current WTO negotiations, trade and the environment, possible new issues for WTO talks, and further liberalisation measures.

Trade officials said the US again made clear it would press for WTO work on bribery and corruption in public procurement, and the link between trade and labour standards. Developing countries have already said they oppose Frances Williams, Geneva inclusion of labour standards.

#### Chicken solution nearer

Russia appears closer to resolving a dispute with Washington which has threatened to stop imports of US frozen chicken. Russia's chief veterinary inspector yesterday said Moscow was not yet issuing new import permits for the US poultry but he hoped to remove remaining obstacles in the coming days. Barlier this month Russia accused the US of shipping poor-quality produce and the Russian poultry industry has complained about dumping by foreign producers and urged the government to intervene to protect local farmers. The dispute has already hit US chicken exports to Russia, which Foreign Staff, London amounted to \$500m in 1995.

#### Contracts and ventures

■ Optus Vision, the Australian cable consortium, has placed a A\$180m (US\$137.4m) contact with Motorola of the US for telephony interface equipment. Motorola's CableComm equipment will be delivered in the second quarter of 1996. Optus Vision intends to use the cable network to provide a local telephone service, as well as pay-TV and other interactive services. A key member of the consortium is the Optus telecommunications company, established to compete with the government-owned Telstra group. Nikki Tait. Sydney Mitsubishi Electric and Mitsui of Japan will set up a semiconductor joint venture in Beijing with a local electronics company. Mitsubishi said the partners would invest Y10bn (\$95m) in the plant, which aims to produce 5m computer chips a month from May 1997, with output rising to 10m a month in 1996 to meet growing demand in China.

**GERMANY** 

# Piracy on the high Cs

Italy is a significant source of illegal recordings in Europe, but the music industry is planning to fight back, reports Andrew Hill

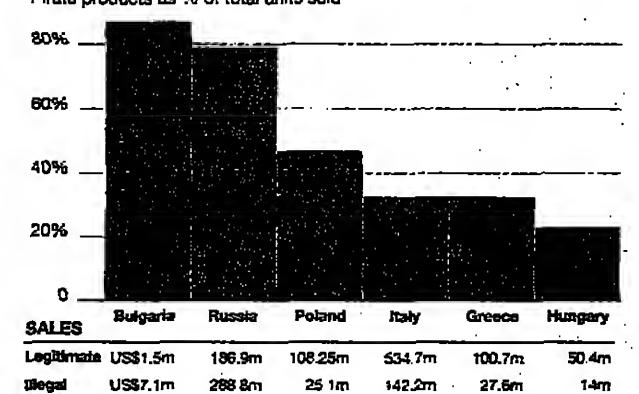
efore the last note of Italy's San Remo music festival had died away three weeks ago, two rival production lines had sprung into action. One was producing the authorised recording of the festival's competing songs; the other a careful copy, which even trumped the original by including artists who, for copyright reasons, were excluded from the authorised version. Both the legitimate and the pirate recordings were on sale within days.

For the international music industry, the pirated San Remo cassette is a powerful example of why music piracy must be stamped out in Italy. Not only is San Remo Italy's glitziest celebration of popular music, it is also a launch pad for new Italian stars, and a showcase for established foreign artists. If the music industry is to be believed, all are under threat from piracy.

Last Friday, European music moguls came to Rome to launch a new \$1m campaign to clamp down on illegal recordings. Although they claim one aim is to preserve Italian culture, it is not their only concern: many of the illegal cassettes and compact discs produced in Italy are exported. come from as far afield as Los Angeles and New York. According to FIMI, the Italian industry federation, as many as 95 per cent of all illegal recordings seized in the UK in 1994 were produced in Italy.

The scale of Italian piracy is even beginning to embarrass European music industry and trade officials in their campaign against illegal recordings

Pirate music sales: Europe's worst offenders Pirate products as % of total units sold



from outside Europe, Mr Nicholas Garnett, director-general of IFPL the international music industry federation, says that when European and US governments recently lodged a complaint against Japanese music piracy, Japanese officials said Italy should put its own house in order first. The question, according to

Source: IFPI

Mr Rupert Perry, president and chief executive of EMI Europe. is: "Does [Italy] want to be known as a third world country in relation to a very important part of their culture? I IFPI, FIMI, and their new

Milan-based anti-piracy unit.

hope they can repeat in Italy

the success of a campaign

launched in Spain in the late

1980s. It reduced pirate recordings as a percentage of total sales from 30-35 per cent about the same level as in Italy - to less than 5 per cent. The industry's first line of

attack is to improve the legal

backed by organised crime.

deterrents against piracy in Italy, mainly based south of

check on legitimate CD producers, which can easily run a par-

enforcement of old ones. pirate recordings.

Rome and almost certainly Italian police are already acting against the criminals. They raid illegal operations and

allel pirate business, counterfeiting CDs to be sold alongside the real thing. But IFPI says the Italian legal process is slow, prosecutions are few, and fines insufficiently heavy. At meetings on Friday with police officers and officials of the Italian interior and justice ministries, industry representatives called for new laws and better

More sensitively, the record industry needs to persuade the Italian public not to encourage piracy by buying bootleg or

The anti-piracy unit has ruled out attempts to harry consumers, though the police can already prosecute those

Sony Music Europe. If that is the carrot for Italian pop fans, then the stick is the possibility that bootlegging and piracy could eventually their proposals. deter big international stars from touring Italy. As Mr Russell puts it: "At the end of the day, artists come to realise that [piracy] is starting to screw their market up on a worldwide basis. They avoid coming because they are ner-

yous about what might happen

to their repertoire outside

all countries in the region, but

this seems less attractive since the failure to grant Chile a

"fast track" entry to Nafta this

year. The US administration

continues to affirm a commit-

ment to extending Nafta

throughout the Americas, but

the outlook for further Nafta-

type arrangements any time in

the near future is bleak.

according to Bogota-based dip-

US relations with Latin

American countries are not at their best following the impo-

sition of further sanctions

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

**E** JAPAN

<u> </u>	PO-SETTE VOISTING	industrial production	isyment rate	indicator	landing ladicator	52000 401200	industrial production	ASPENDENT	rate jedicator	leading leadcator		suies ciumă	Industrial production	(cycnent rate	rate indicator	leading indicator
1985	100.0	100.0	7,1	100.0	91.3	100.0	100.0	2.8	100.0	76.4	-1	00.0	100.0	7.1	100.0	89.7
1985	105.5	100.9	6.9	98.3	95.5	106.6	<b>99.</b> 7	2.8		83.5		03.4	102.2	8.4	136.9	89.3
1987	108.4	106.0	6.1	106.3	96.6	113.8	103.1	2.8		91.2		07.4	102.6	6.2	149.5	90.0
1988	7126	110.7	5.4	107.6	100.2	122.6	113.1	2.5		96.8	1	10.5	106.3	6.2	165.1	95.5
1989	115.6	112,4	5.2	101.4	98.9	132.5	119.7	2.2	147.0	98.9	1	14.2	111.4	5.6	219,5	97.8
1990	115.4	1124	5.4	87.0	95.1	141.7	124.5	2.1	149.8	96.0		23.5	117_2	4.8	261.9	98.1
1991	114.0	110.4	6.8	64.6	100.0	144.8	126.8	2.1	144.2	93.1		30.5	118.1	4.2	297.9	95.2
1992	117,6	114.2	7.3	53.3	104.8	139,9	119.0	2.1	124.2	92.0		27.7	116.4	4.6	287.9	89.2
1993	123.8	118.2	8.7	69.0	110.5	131.8	113.6	25	106.8	97.4		22:3	1 <b>09.</b> 1	6.1	229.0	95.2
1994 1995	131.2	125.1	8.0	78.9	1126	129.6	114.5	29	102.2	105.3	1;	20.4	113.9	8.8	240,4	103,7
1995		129.3	5.5	79.1	. 111.8		118,2	3.1	106.5	110.2			174.1		267.8	_
1st qtr.1995 2nd qtr.1995	4.7 4.3	5.5 3.3	5.5 · 5.6	79.7 78.0	112.1 111.2	-2.3	6.1	2.9 3.1		105.7			3.0	6.7	271.6	.102.1
3rd qtr.1995	4.5	3.0	5. <del>8</del>	78.4	110.5	-0.8 0.5	4,9	35	104,9	106.6			1.7	6.8	276.3	101.9
4th qtr.1995	7.0	1.5	5.5	79.0	111.6	0.5	0.9 1,2	3.3		108.2			-0.1	•	265.5	101.ជុ
	3.9									110.2			-3.8		258.0	
February 1995	3.4	5.4	5.4	80.9	112.3	-1.6	7.4	2.9		105.6			5.5	6.7	270.5	102.5
March		4.7	5.4 5.7	79.6	1121	-1.1	5.0	3.0	105.1	105.7		•	1.2	8.7	280.5	102.1
April Mari	3.3 4.8	3.9 3.3	5.7 5.6	79.7	111.6	-1.5	6.0	3.1	104.0	105.8	•		1.6	6.8	279.7	101.9
May	4.9	3.3 2.8	5.5	77.1	111.3	-Q.7	5.8	3.1	108.3	108.3			28	· <b>6.8</b> -	277.2	. 103,1
June	4,9	2.7	5.8	77.0	171.2	-0.3	3.2	32	104.5	105.6		•	0.7	6.8	272.2	101.9
July Sugarah	4,8	3.2	5.6 5.6	79.2	111.2	−0'≅	1.3	32	104.2	106.8			. 1.0	6.8	270.5	-101,3
August Seeteeber	4.2	3.1	5.8	79.3	111.0	0.7	1.0	3.2		107.6			-0.2		264,6	101.3
September		1.9	5.4	76.5	110.5	1.8	0.5	3.2	105.4	108.2			~1.2		267.3	. 101.0
October November	21 28	1.7	5.6	79.5 77.3	110.4 110.7	-1.1	1,4	3.2	109.0	108.6			-3.3	-	258,8	101.0
December	یے	1.0	5.5	83.0	111.6	7.3	0.7	3.4		109,7			-2.8		· 260.5	. 101.4
January 1996		0.2	5.5 5.7	82.1	111.0	Ī	1.5 2.8	3.4	1112	110,2			-5.2		254.8	
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1987	104.5	103.7	10.5	117.2	98.2	112.			10.9	95.9	1	10.8	106.5	10.3	141.0	.97.1
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1993	110.7	110.2	11.7	90.0	100.0	114.			9,8	94,2		20.4	109.4	10.1	89.6	298,6
1994	110.8	114,4	12.3	104.1	103.3	107.			10.2	101.0		23.9	111.5	10.4	. 78,5	105.5
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All series sessonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deliated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan idepartment storage only). industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mening and manufacturing only) and UK jalso includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form; Derived from OECD series, US - help-warried advertising, Japan - new vacancies. Germany and France - all jobs vacant, Italy - no data available, UK - unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

## America free trade zone talks

By Sarita Kendall in Cartagena

More than 1,000 business leaders today meet in Cartagena. Colombia, to discuss how the private sector can participate in the creation of the Free Trade Area of the Americas (FTAA), an ambitious goal to create the world's largest free trade zone with 750m people.

The decision to aim for a free trade area by the year 2005 was announced in Miami 15 menths ago, but political and economic events have since taken their toll and the parallel meeting of 34 trade ministers, which starts tomorrow, would benefit from an injection of practical proposals and private sector

enthusiasm. Mr Jorge Ramirez Ocambo. president of the Colombian exporters' association and organiser of the Business Forum, said it would present concrete proposals to ministers. Progress so far shows that the integration process can go on despite political crises in Colombia and other countries, said Mr Ramírez Ocampo. "For the moment we have to construct routes and open doors, still have to be answered. Some can Free Trade Agreement to the issue.

Chile and the four nations of the Mercosur customs union are close to an agreement on associate status for Chile, following successful negotiations between the technical committees, writes Imogen Mark in Santiago.

Chile conceded some ground on one of the main obstacles - its claim to maintain the traditional farming sector outside the terms of the pact. Last week the two sides agreed that import tariffs on 90 per cent of Chile's trade with Mercosur would be reduced to zero within eight years. Tariffs on the other 10 per cent, which includes farm products such as wheat, oil seeds, sugar beet, milk and meat, will be reduced more gradually, to reach zero within 15 to 18 years. In exchange Chile obtained concessions on tariffs for wine, tinned fruit and tomato paste.

Outstanding issues remain to be negotiated between Chile and Argentina, which maintains special tariffs on goods from non-Mercosur nations and anti-dumping mechanisms, which Chile wants eliminated. Both Chile and Mercosur would like to be able to announce a formal agreement on Chile's admission by the end of the month, when Chilean President Eduardo Frei is due to visit Argentina and Brazil.

not climinate alternatives." The ministers will be reporting on progress made by the seven working groups set up in Denver last June to examine specific issues. Four more groups, including one covering intellectual property rights, are expected to emerge from the Cartagena summit. Many fundamental questions

about the creation of the FTAA

view existing regional trade accords - there are at least 24 - as the basis for negotiations. However, the accords vary enormously in strength and coverage with, for example, the Andean Pact limping along and Mercosur extending its horizons both within and beyond Latin America. Another route could be the

expansion of the North Ameri-

against Cuba, the growing immigration problem and the drug certification process. Colombia's position as host to the US secretary of commerce, Mr Ronald Brown, is

lomats.

particularly uncomfortable following Washington's de-certification of Bogota's anti-drug efforts at the beginning of A new US law aimed at curb-

ing foreign investment in Cuba could cast a cloud over the Cartagena meeting as Nafta partners Canada and Mexico are at odds with the US over

## Latin America fund to meet infrastructure needs

A new fund to provide finance for infrastructure projects in Latin America is being created with the backing of two powerful US financial groups, GE Capital and American International Group, Stephen Fidler, Latin America Editor, writes.

The fund, which is aiming to attract Sibn from institutional investors, is being put together by the Emerging Markets Corporation, a Washington-based partnership whose principals are Mr Moeen Qureshi and Mr Don Roth, both formerly senior figures at the World Bank. AIG and GE Capital, will provide up to \$150m each for

the fund. Mr Qureshi's group has already successfully established a \$1.08bn Asian infrastructure fund. The Latin American fund will run along similar lines, although because credit concerns about lending to Latin American countries are greater the Latin fund will have close links with organisations such as the InterAmerican Development Bank. Such links were not

seen as necessary with the Asia fund. Mr Everett Santos, formerly director of infrastructure investments at the International Finance Corporation, the World Bank's private sector arm, will have the main day-to-day advisory responsibility for

The aim, Mr Qureshi said, was "to attract long-term institutional investors. such as pension funds and insurance companies, into infrastructure finance". The main constraint to infrastructure finance

in the region was a shortage of long-term debt, rather than equity, he said. It was expected that 80 per cent of the fund would be invested in Argentina, Brazil, Chile, Colombia, Mexico and Peru.

He said the region's new investments in infrastructure were estimated to reach \$1bn a year for the next decade. Because of constraints on public sector budgets in Latin America, governments are increasingly turning to private sector finance to meet infrastructure needs.

Mr Martin Chrisney of the IADB estimates the private sector can provide up to a quarter of the finance required for new investment and maintenance in infrastructure over the next decade, some \$10bn to \$12bn a year.

## ico to seek ff Taiwan Christopher hails N-test ban progress

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Mr Warren Christopher, US secretary of state, yesterday sail the five declared nuclear povers were moving closer in negotiations on a globalnuclear test ban treaty; and urged a concerted push to wap up the talks this summer. "This is an historic opportumly which certainly must not

bi lost," he said. Mr Christopher, in Geneva to enphasise Washington's strong support for the treaty, sid after meeting some of the nain negotiators that the talks appeared to have made "real progress". But he acknowledged that important differences of view remained on some issues, including the treaty's scope, verification and conditions for entry into force.

He had earlier indicated that he would be pressing China and India in particular not to block the pact, which is being pegotiated in the 38-member United Nations Disarmament

The treaty is due to be completed by the end of June for

eral Assembly in September. and Indian representatives sep- or any other nuclear exploarately after meetings with sion". other nuclear weapons states -:

Russia, Britain and France aligned movement including small, but for the time being is Pakistan, Egypt, Indonesia and clinging to a different, and the India, despite dwindling sur port from other developin

nations, wants a firm link the treaty to talks on tot nuclear disarmament within fixed time-frame. But Mr Chr topher warned yesterday th this would be counterproctive, ensuring neither goal 's China, the only country ill

testing nuclear weaponis insisting that the treaty tke an exception for "peaful nuclear explosions". Hower, it is isolated in this deemd and a senior US State Dartment official, citing othergns of Chinese flexibility, sayesterday that Washington ped "the Chinese soon can je US" in a total ban.

endorsement by the UN Gen- re backing Australian treaty fording that would ban "any Mr Christopher met Chinese auclear weapon test explosion

Russia says it will agree to a -'"zero-yield" treaty banning all and members of the non-nuclear explosions, however

> formulation. Meanwhile, Moscow yesterday denied suggestions by US officials travelling with Mr Christopher that it might have carried out a nuclear test, in violation of its self-imposed moratorium. Mr Christopher told reporters later that he believed Russia was complying

with the moratorium. Other unresolved treaty issues include how many countries should ratify the treaty before it goes into force. Washington says just the five declared nuclear powers should be required, but other nations want all "nuclear-capable" countries to be members including the three acknowledged "threshold" states -Israel, India and Pakistan.

## the most competitive countries By Frances Williams in Geneva

Singapore, US seen as

Business leaders around the world rate the United States and Singapore as the world's most competitive nations, followed by Japan, Germany, South Korea and Switzerland, US claims more ambiguous, according to a survey by the International Institute for Management Development

> However, with the notable exception of Singapore whose executives think it ranks first in the world, business leaders in these countries took a far more gloomy view of their own nation's performance. Japanese executives put Japan 27th in the competitive-

> ness rankings. Germany fell from 4th to 17th position and Switzerland from 6th to 23rd. The survey of nearly 2,500 international business leaders forms part of an annual comparison of country competitiveness compiled annually by the Swiss-based IMD and in previous years, the World Economic Forum. This year's report, to be published in September, will be the IMD's first

solo effort Business executives were also asked to rate countries on economic adaptability, attractiveness for investment and commercial aggression.

The rankings for adaptability tended to follow those for competitiveness but there were big differences in the other two.

In particular, the British government's efforts to lure foreign investors appear to have borne fruit. The United Kingdom was ranked third internationally for attractiveness to business, after the US and Singapore but ahead of Malaysia, Germany and Switzerland.

On aggression, seven of the top 10 countries were located in Asia, with Japan and South Korea taking first and second places. The US came third, followed by Singapore. Germany was sixth and France a more surprising 10th, marking its "comeback on the international scene", according to

## NEWS: INTERNATIONAL Uganda faces tireless enemy

Michela Wrong on a water weed threatening ecological disaster

he acres of lush vegetation, dotted with pink blossoms, offer a scene of pastoral tranquillity.

Unfortunately, this is not a field. This is part of a lake -Lake Victoria - and the carpet of greenery, so thick that small boys can walk across it, was once blue water running clear into the turbines of Owen Falls Dam, Uganda's main supplier of electricity.

That was before Eichornia crassipes, or water hyacinth, infected the legendary source of the Nile, Africa's biggest freshwater reserve. Washed down the Kagera River from Rwanda, the weed spread so rapidly that more than 70,000 tonnes now fills the bay above Owen Fails, testing the strength of a bridge and boom never designed to meet such a

challenge. Months of back-breaking effort by a team of labourers, who uproot the plants by hand and burn them ashore, have water. The water hyacinth grows back almost as fast as it is removed. Dam engineers regularly halt operations to clear equipment of rotting vegetation. Government experts, afraid the turbines will clog. warn of a potential catastrophe at the 180MW installation. which exports power to Kenya

and Tanzania. First spotted here in 1988, the water hyacinth has become one of the Ugandan government's most intractable problems, an example of how a multitude of minor environmental factors combine to

cause a national nightmare. Attempts to find a solution have exposed the difficulties when Uganda, Tanzania and Kenya are talking bravely of regional co-operation - of transcending local politics to combat a common enemy.

In its Amazonian habitat, the water hyacinth is a harmless, pretty plant. Brought to Africa last century, probably as a pool ornament, it blossomed in the absence of natural predators. invading the continent's waterways. In clean waters it remains unobtrusive. But it explodes, tripling in size, in nutrient-rich water.

There proved to be no shortage of these on the Ugandan side of Lake Victoria. Downwind and downstream, these



Ugandan labourers clearing water hyacinth, which grows back almost as soon as it is removed

bays receive the bulk of the lake's pollutants: fertiliser and factory run-off, untreated human waste from Kampala, where the sewage works cannot keep pace with a burgeoning population.

The water hyacinth now fringes 90 per cent of Lake Victoria, clogging Uganda's landing sites, blocking pumping stations and forming huge mats that "fix" the water and hog the light, choking off other organisms. The shallow waters where Nile perch and tilapia breed and spawn are turning into stagnant pools, endangering a fishing industry that

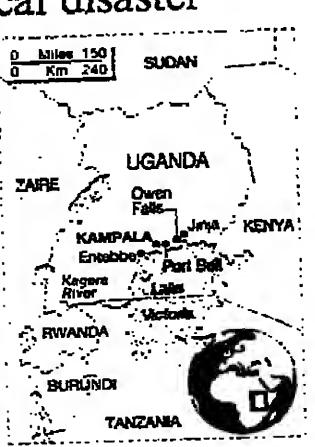
exports 200,000 tonnes a year. Environmentalists, anxious about the 300 species of fish unique to these waters, worry about the death of an ecosystem. Local fishermen have more prosaic complaints: they spend days marooned on the lake, unable to reach the shore across kilometres of vegetation. Cargo boats are finding it difficult to dock at Port Bell. There is talk of moving

operations to the town of Jinja, where the main harbour used to be. But that would mean trucking goods 80km to Kampala, instead of the short rail trip from Entebbe.

Waking up somewhat belatedly to the extent of the problem, the government has set up a special task force and is approaching donors for contributions to a \$5.4m emergency Advised by Aquatics Unlim-

ited, a US company that has combated water hyacinth across the world, it plans a three-pronged approach. Herbicides will shrivel the hyacinth, huge harvesters will clear strategic sites, and the release of weevils being bred in laboratories - the hyacinth's natural predators - should keep the plant in check over the long term. But this is where the politics come in. All such measures must first be approved by Kenya and Tanzania, which also border the lake but have been less badly hit.

While Uganda has enjoyed



harmonious relations with Tanzania since the 1980s, the same cannot be said of Kenya. President Daniel arap Moi Kenya's head of state, and President Yoweri Museveni, Uganda's leader, have been fierce rivals for years.

Although both men publicly shelved their animosities to lay the framework for regional economic co-operation at a summit in January, many locals question their sincerity. The water hyacinth problem may provide a test.

So far, because it is on the receiving end of the problem. Uganda is aware of the need for quick action, while Kenya and Tanzania have felt freer to fuss about the possible environmental threats posed by the

herbicides or weevils. "If Lake Victoria was our lake we would have gone ahead much faster. But we had to consult our neighbours. acknowledges Prof Joseph Mukibi, head of the Ugandan

task force Cynics have noted that since the Kenyan shoreline afflicted by the weed is populated by the Luo, a community that supports the opposition, Mr Moi may feel little pressure to come to their aid.

Although the herbicides and weevils have been used elsewhere with success, Uganda is trying both out on small pools to prove conclusively to its neighbours an ecological disaster is not looming. With each passing day that the weed spreads, the eventual cost of clearance escalates. Harvesters were originally expected to start work last November but the task force is now talking about another three or four months of tests.

## The US, Britain and ance UN, Iraq neaer oil deal

at the UN in New York

United Nations and Iraqu negotiators last night neared an end to their second round of talks on a limited resumption of Baghdad's oil exports, to pay for food and medicines for civilians suffering under the impact of sanctions.

Diplomats said about 90 per cent of the differences between the two sides now had been resolved, encouraging hopes that the next round might be conclusive.

Mr Tariq Aziz, Iraqi deputy prime minister, agreed in a telephone conversation with Mr Boutros Boutros Ghali, UN secretary-general, that the talks should resume on April 8,

again in New York. If Mr Aziz then were to decide to join the negotiations, this would probably be taken as a sign President Saddam

to accept the terms oale set by the Security Councilmost a year ago.

"I for one am keng my fingers crossed," saiMs Sylvana Foa, the UN stesman, who has all along en optimistic about successi talks. begun last month.

However, diplons said a troublesome issuremained how to distributiood and humanitarian supes in the northern Kurdish gion. The UN insists its accies take responsibility for s, but Iraq wants to retain cirol.

Up to \$2bn- wo of oil is at stake in the saleshich would take place over six-month period. But it taken for granted that on the flow of Iraqi oil is resurd, the Security Council' wld authorise future limited es even if the broader sanions regime

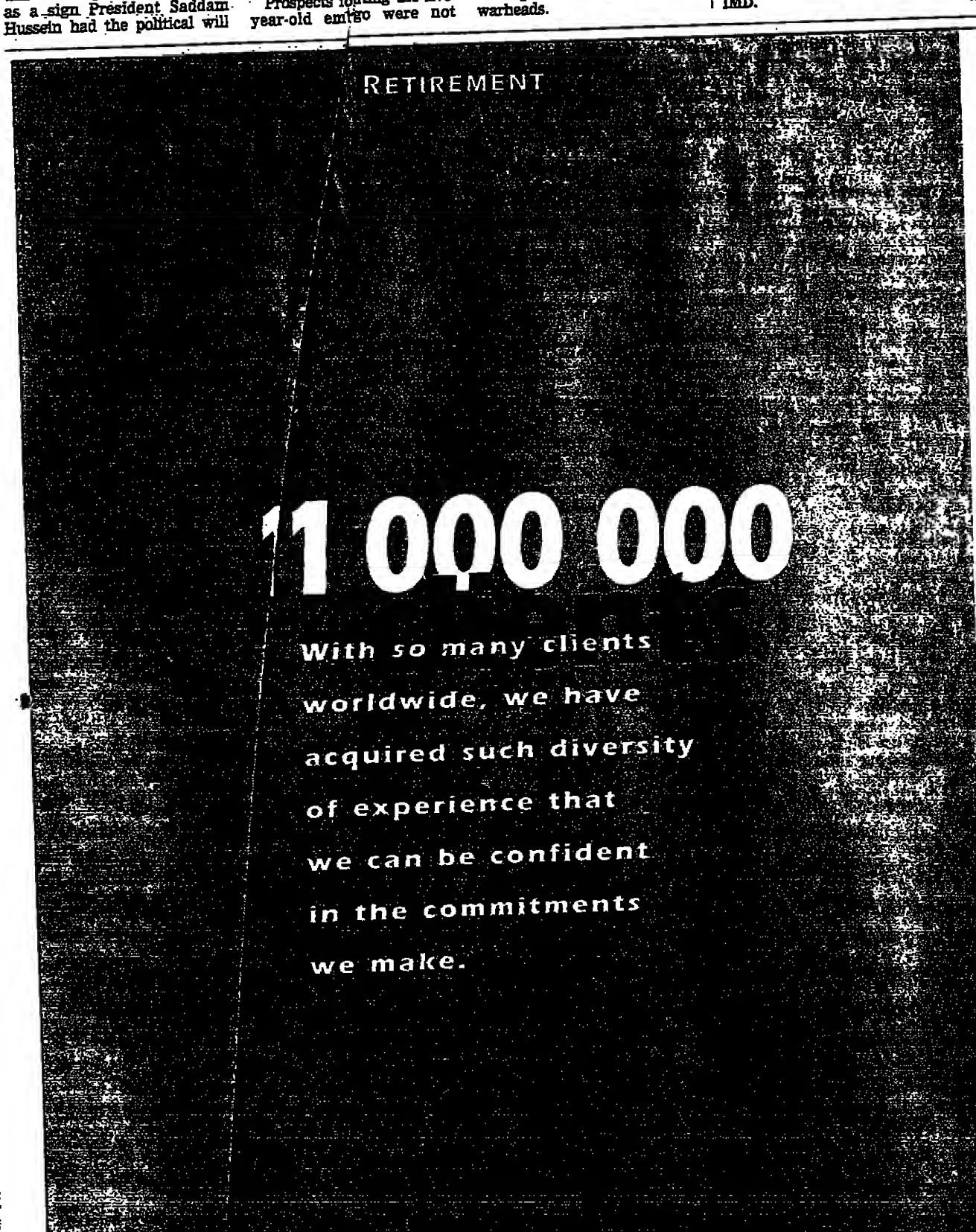
remained in it. Prospects foifting the five-

improved by five recent incidents in which Iraq barred access for UN inspectors seeking evidence of the country's remaining arsenals of weapons of mass destruction and capability to develop new heavy weapons. All incidents were resolved after stand-offs lasting several hours; Mr Nizar Hamdoon, the Iraqi delegate, insisted yesterday there was

no real problem. Nonetheless, Mr Rolf Ekeus, chief of the UN inspection commission, asked the Security Council to re-emphasise the monitoring mandate, making clear the Iraqis could not set their own conditions for

Mr Ekeus said the inspection commission had not yet concluded Iraq was "free from prohibited missiles". He was concerned about remaining biological and chem-

ical agents for use in missile





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Like wayward samurai, seven Japanese jusen have fallen in financial battle. They lie buried under a pile of bad loans and broken promises

# Collapse that may force Japan to put its house in order

t the end of a long career navigating the backwaters of Japan's financial markets, Mr Kelichiro Niwayama is enjoying a moment of rare notoriety.

Mr Niwayama, a frail but still combative 78, announced his resignation last week as a senior adviser to Nippon Housing Loan, the institution that formed the prototype for the jusen companies now at the centre of the most acrid political dispute in recent Japanese history.

In his 20 years as president of NHL, Mr Niwayama earned the soubriquet "Mr Jusen" in recognition of his pivotal role in the spectacular growth of the housing lenders. Today he is more likely to be ranked high in the lists of those dubbed "Class A war criminals" by the popular Japanese press for his part in their equally spectacular

It is not difficult to see why. The statistics of the company's failure are eye-catching even by recent Jap-anese standards. Three-quarters of its loan book is now bad. In the past four years it has lost the equivalent of more than eight times shareholders' equity.

Its share price has declined from Y2,310 six years ago to Y40 (37 US cents) last week. And, as a final indignity to the long-suffering public, its liquidation is now to be smoothed by the donation of public

But from his cramped office in the heart of Tokyo's government district, Mr Niwayama still looks out with disdain on those who seek to blame him or his colleagues for the debacle.

"Everyone is looking for someone to take responsibility for this crisis. but it is certainly not all our fault. The blame lies with the banks that created the companies and the government which created the financial conditions that led to our fail-

While there is more than a hint of self-serving defensiveness about Mr Niwayama, he is at least right to suggest that the responsibility for the jusen mess is spread far more widely than his enemies argue. An examination of the history of

Nippon Housing Loan reveals the extraordinary web of relationships between banks, bureaucrats, politicians and big business that brought about its failure. Culpability for the jusen collapse

lies, in fact, with almost everyone involved in the functioning, supervision and management of the Japanese financial system.

This year, Nippon Housing Loan's 25th anniversary, should have been an occasion for celebrations, 1971 was a watershed year in Japan's march back towards economic preeminence and national self-esteem. That summer festivities greeted the signing of the agreement with the US to hand back the island of Okin-



'We were told we had to expand our lending no matter

awa to Japan after a quarter century of American occupation. The economy nad just achieved its nith consecutive year of double-digit percentage growth.

And the country was experiencing the first of many yen-dollar crises, when in August, the "Nixon shock" sent the yen soaring to Y314 against the US currency.

In September, in little more than a footnote to such drama, half a dozen of the country's largest banks launched a vehicle into which they poured much of their capital and a good deal of their future plans for expansion.

Japanese workers' living standards were rising sharply. The demand for better housing that went with the growing affluence caused a problem for the nation's big lenders.

Their loan books were already brimming with finance for the country's manufacturers, but they were anxious to cash in on the growing market.

The banks - led by Sanwa and Mitsui - hit upon a scheme for meeting the new demand. Pooling capital, they opened a specialised housing finance company - "jutaku



Japan's governing and opposition parties falled once again yesterday to break the parliamentary deadlock that has plunged the country into a deepening political and financial crisis. For more than two weeks,

opposition members have physically blocked a debate on the nation's budget for the fiscal year beginning next month.

They are refusing to consider the budget bill until the government of Prime Minister Ryutaro Hashimoto agrees to remove a plan to spend. Y685bn (\$6.47bn) on a ballout of the country's failed housing loan companies, the lusen.

The government's attempts to win parliamentary approval for the plan have provoked rare demonstrations of public outrage. Seven of the jusen are virtually bankrupt, buried under a pile of non-performing loans acquired in reckless property-related

lending during the so-called bubble economy of the late 1980s, the period of rapid increases in land and other asset prices. Opinion polls suggest that up to 90'

per cent of voters are hostile to what they see as a waste of taxpayers' money on incompetent and venal bankers. For its part, the government

says the plan is essential to restore confidence in Japan's battered financial system. It claims that defeat for the budget would provoke a cenuine financial crisis. At the weekend, the government enlisted the support of Mr Robert

. Rubin, the US treasury secretary, who urged the Japanese parliament to approve the scheme for the sake of international financial stability. The longer the stalemate continues the more difficult the government's task becomes. It has threatened forcibly to eject the protesting opposition deputies, but it knows that such a move would provoke even stronger public hostility.

At the centre of the political tussie is the question of responsibility for the jusen fiasco - how these relatively small financial institutions were allowed to get to the point where they threaten to bring chaos to Japan's financial system.

The story of their demise encapsulates the frenzied rise and fall of the bubble economy. It is a story of the apotheosis of so-called money politics - the web of financial relationships among bankers, politicians, and even organised crime that dominated business and political life in

That sort of record was likely to

maximum of 80 per cent of a proper-

ty's value. Borrowers were carefully

vetted and the strictest credit train-

The NHL formula proved success-

ful enough to spawn a host of imita-

tors, and by 1978 there were eight

jusen. The value of their mortgage

lending rose fivefold between 1975

and 1980, but within a few years the

companies had become victims of

By the early 1980s the jusen were

doing so well that their founder

banks decided they wanted a part of

The surging stock market was

expanding their capital base.

enabling them to increase lending

and they moved quickly into the

housing lenders' bread and butter

market of home mortgage advances.

In the process they began to force

down interest rates and squeezed

the jusen hard. Mr Niwayama

recalls acrimonious disputes with

"It was very damaging," he says.

"Having set up the company, they

then almost immediately took away

To survive. NHL's management

was forced to look elsewhere. At the

time, land prices were just starting

their rapid upward progress that

would lead to the bubble economy.

The inflation was starting to attract

the interest of property speculators.

For the jusen, the interest offered

a perfect opportunity. Within the

space of a few years, they all but

abandoned their core business of

individual mortgage lending and

ventured out into the much riskier

"We were told we had to expand

our lending, no matter what. We

would regularly lend over 100 per

cent of collateral values. Land

prices were rising by 30 per cent a

world of property speculation.

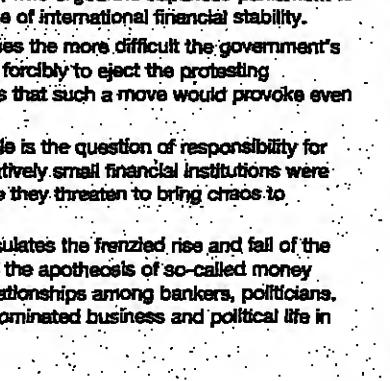
the banks over the change.

our main line of business."

ing was given to the staff.

their own success.

the business.



to raise money. They were not an attractive candidate to lead the company. Unusually, he had held deposit takers, but relied instead on senior posts at both the finance borrowing from the banks, which ministry and the Bank of Japan. was not enough to support the kind

of expansion that was about to

prove very useful in greasing the burst over the property market. wheels of the Japanese bureaucratic Characteristically the solution to such a difficult balance sheet probmachine whenever it threatened to lem was found out in the fields. It is get in the way of business. To start with, sound banking difficult to overstate the importance practices and steady growth in of a piece of land in the Japanese demand meant those special skills

were not immediately required. The scarcity of habitable land has "Demand for housing loans was long given a plot of real estate an growing strongly. But we were still almost mystical significance. But in very cautious," says Mr Niwayama. the 1980s, as prices rose, the palpa-Indeed the company was something ble sense of growing well-being among landowners led to supreme of a model of banking prudence. Its usual policy was to lend a

over-confidence. The nation's farmers were beginning to discover that the sale of just a tiny parcel of their property would make them rich beyond their dreams. With customary Japanese thriftiness, the proceeds of that sale would be deposited in the local farm co-operative - institutions that across Japan held over Y2,000bn in

total deposits. The problem for the managers of those institutions was how to secure a generous return on their funds in an increasingly competitive investment environment.

This was where the jusen stepped in. They were confident enough of the profitability of their new property-speculator customers to offer the farmers very attractive rates of

And the jusen's umbilical cord remained firmly attached to their founder banks in spite of the difficulties with them. The banks continued to send them senior managers, offered advice and, to outsiders, seemed much like parent compa-

"We had no fears about handing over our deposits to the jusen, because it was clear from the way the jusen were run that the banks were really responsible for them," says a manager at Norinchukin, the central financial institution for farmers' co-operatives.

third of total borrowings of Y2,200bn by NHL came from the agricultural sector – a typical figure among the jusen as a whole. This pervasive spirit of the times certainly appears to have prevented the jusen from making a thorough appraisal of some of the companies

By the early 1990s, more than a

to which they were lending. In Osaka and Tokyo especially, organised crime syndicates were big customers. Many property and con-

dozen of the *jusen's* largest borrowers have ualcuza connections.

The scale of the mania for large scale property development was unprecedented. In 1980, 90 per cent of NHL's total loan book was made up of advances to individuals. By 1990 that figure had fallen to less than a third. All the jusen were riding a wave of speculation, but no one at the time seemed prepared to consider that it would ultimately be answerable to the laws of gravity.

"We really thought Japan was fundamentally different," said a young manager. "It was a market that seemed bound to go on rising for ever."

The one group of individuals usually paid to point out the folly of such hubris are financial regulators. But at that time in Japan, their powers of appraisal also seemed to have deserted them.

The ministry of finance, the main regulator, failed to stop the jusen lending in such vast amounts, even after property prices began to fall in the early 1990s. Officials only attempted to clamp down on the lending long after it was too late.

One possible reason for their diffidence was that many bureaucrats saw the jusen as a useful source of retirement income. In the 1970s and 1980s at least 13 senior officials of the finance ministry took up positions at one of the jusen after their



process of "amalgudari" - "descending from heaven".

It is a process that inevitably weakens the hands of the regulators. As one former bureaucrat puts it: "It is not very easy for a young finance ministry official to go and tell someone who used to be his boss how to run his business." Another group who might have acted sooner but were too busy

enjoying the ride thamselves were

politicians. But in the era of money

jusen-related companies. The most serious allegation concerns one of the party's most senior politicians. Mr Koichi Kato, the secretary gen-

In a smart Tokyo hotel suite one night in January 1990, just as the iusen problems were beginning to emerge, the president of one of the largest borrowers, Kyowa Corporation, had a friendly meeting with Mr Kato.

What happened during the meeting is now hotly disputed, but an assistant to Mr Kato now says the Kyowa boss, Mr Goro Moriguchi, handed the politician a brown paper envelope containing Y10m in notes. The money was intended for Mr Kato's campaign funds and should have been quickly declared for tax

became the secretary general of the LDP and is now cabinet secretary. unaccountably failed to do so. Mr Kato denies there was any wrongdoing, but says he cannot properly explain why he did not report the money.

purposes. But Mr Kato, who later

A couple of years later Mr Moriguchi went to prison for bribing a leading government official over a construction contract. Mr Kato himself is now under investigation. though he continues to deny any impropriety.

What is clear is that, in keeping with the times, companies were dusy duying influence. In the fusen case, they were especially keen on diverting attention away from their increasingly murky financial condi-

Unmolested by regulators and politicians, caught up in the frenzy of property speculation of the late 1980s, under continuing pressure to compete in increasingly tight markets, and knee-deep in loans to some dubious customers. NHL and its confrères were well on the way to financial ruin. In the end higher interest rates

early 1990s led to a fall in land prices which predictably, knocked down the whole house of cards. The jusen quickly descended into financial chaos, with more than three quarters of their Y13bn (\$122.8m) in total loans now non-

and the stock market collapse of the

performing. The story of the brief rise and spectacular fall of NHL and its brother companies is a picturesque tale of incompetence, venality. greed and corruption. It is no surprise that the search is on for the

prime targets. The authorities, for their slo supervision throughout the just history, are another. But farms

course, the jusen themselves, are under fire. Yet the very breadth of that field is at the heart of the jusen debacle investment was scarce and banks

gangsters, politicians and,

authorities have at last acknowledged

that real change is necessary Enormous though the jusen prob-

lems are, they still represent only a fraction of the total level of bad loans at all Japan's financial institutions – perhaps one-fifth.

Daily revelations about the scale of problems elsewhere - the nonbank lenders are the latest example - give a hint of the overall scale of the financial calamity. What then is really behind these

It is a curious irony that the focus of the jusen debate has been on the question of the responsibility of the parties involved. The striking feature of the crisis

failures?

has been, in fact, not that any one person or group could be deemed responsible, but, on the contrary, a complete absence of responsibility by all concerned

The multiplicity of characters involved as potential culprits indicates that no-one felt responsible for their own actions. Farm co-ops believed their lending would be protected by banks; the jusen's borrowers believed the jusen would be responsible for any losses.

And everyone expected the ultimate responsibility to lie with the government. Whatever happened, the authorities would not be expected to abandon their charges. This last point is the key to the central problem in the Japanese

the authorities that no bank would: be allowed to fail. That guarantee in turn has itsroots in the purpose for which the financial system was constructed in

its current form. Banks were protected by the ministry of finance because they occusuggests that something even more pied such a central role in the econserious than individual culpability omy. Capital for industrial

It is a failure, not just of bankers herefore operated largely as conand officials, but of the system wits of funds for industry. They channelled low-cost loans to mpanies and in the process did have to concern themselves. ectally with profitability or qual-

> of performance. he emphasis was on expansion costs. In return for this sun-Afve role in Japan's industrial rneration, banks were underwen by the finance ministry thrould not be permitted to fail. th a system would have envaged reckless lending at the best times but, in the 1970s and 198 just as the jusen were begin-

> tionat underpinned the system gradual deregulation and the ning up of the country's mari, companies became less depent on banks for their funding. ks were forced to compete more business - hence their own te into housing loans and

ninb grow, the economic condi-

fateful the property market. Yet pite of the changing needs of thepromy, the financial system reled its essential characteristics -ptected and closely guided: by the ince ministry.

In dr words, banks were encourt to look elsewhere for other, her benefits, backed by the conuing guarantee of the authori - the worst of both

The sch for culprits in the jusen saend in the broader financial imbio will go on. The government | pledged to seek out and punishose held responsible The abrities have at last acknowled that real change to the systemelf is also necessary. But they a made only tentative moves in direction, heighten-

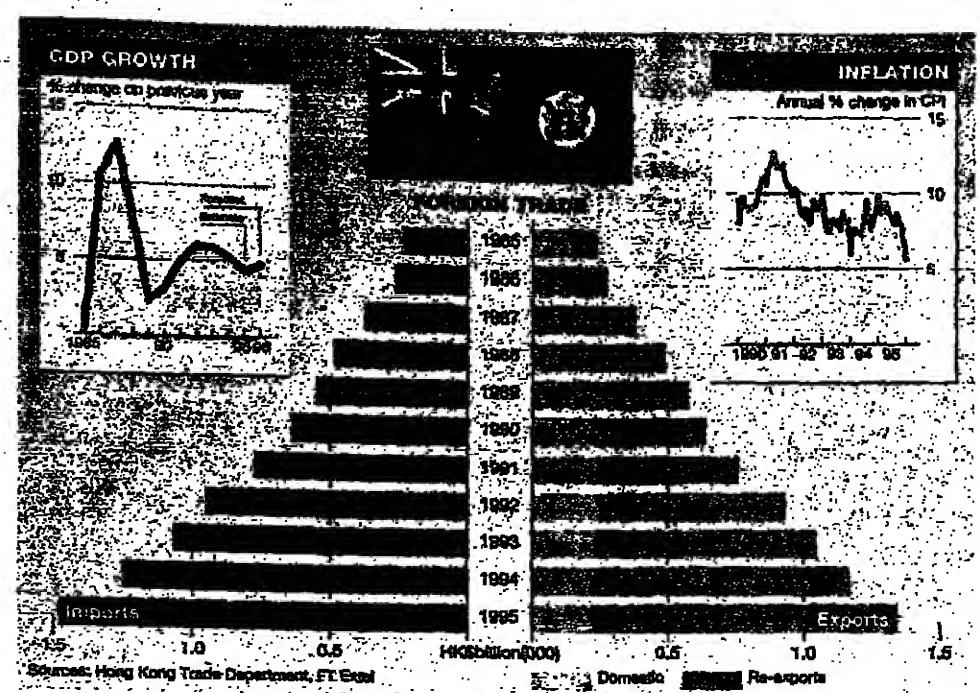
ing suspil that they wish to cling to the structures. To prep to abandon those structures ild be to acknowledge the need fedical reform of the Japanese comy, something politicians and aucrats are not and





FEEDAY MARCH 191

# HONG KONG



## The battle for business as usual

Risks lie ahead and rivals are threatening its lead, but Hong Kong has the potential to develop its role as a trading and financial centre for China and the region, says John Ridding

hese are testing times for Hong Kong. It will need its resilience and resources to hurdle next year's handover to Chinese sovereignty and secure for the long term its position as one of Asia's leading business cen-

Apart from the complexities surrounding the transfer from a capitalist to a communist landlord, potential hazards lurk in Beijing's bellicose stance towards Taiwan and its trade relations with Washington. Finance and industry are having to adapt strategies to manage the transition, while Singapore and other rivals are stepping up the competition for regional business.

Despite these challenges, the business community and most in the political establishment believe Hong Kong has the strengths to consolidate its position. They cite the potential provided by its legacy and location - a financial centre on the edge of China's capital hungry economy and a trading hub at the heart of the world's fastest growing region.

further potential in services and trade," says Mr Renato Ruggiero, director-general of the World Trade Organisation. Mr Rafael Hui, Hong Kong's secretary for financial services, describes the colony as the natural conduit for China's capital needs, estimated at more than US\$770bn over the next 10 years for infrastructure alone, and for the flow of funds into the mainland from the overseas Chinese diaspora.

For Hong Kong to play its trump cards, it must first achieve a confidence trick, maintaining faith in its markets and prospects. And for the

moment, there are clear signs that confidence remains intact. Hong Kong's biggest tycoons and trading empires - from Mr

Li Ka-shing's Cheung Kong to Mr Lee Shau-kee's Henderson Land, Swires and Jardines -"Hong Kong has enormous are battling to be part of property and infrastructure projects. Last month's award of a HK\$7.7bn development contract to a Singapore-backed consortium demonstrated not just the connections of the overseas Chinese community but also provided a vote of support for Hong Kong's post-1997

> Port operators at Kwai Chung, the world's busiest container facility, predict robust growth on the back of rising trans-Pacific and regional trade. There, as at the new airport, bold infrastructure schemes are buttressing Hong Kong's role as a services hub.

Confidence, however, is fickle commodity. As befits a horse-racing town, bets are bedged. Many of the business leaders who are piling money into investments have registered their companies overseas. An estimated 500,000 of Hong Kong's 6m inhabitants have taken out foreign passports, in case events turn sour.

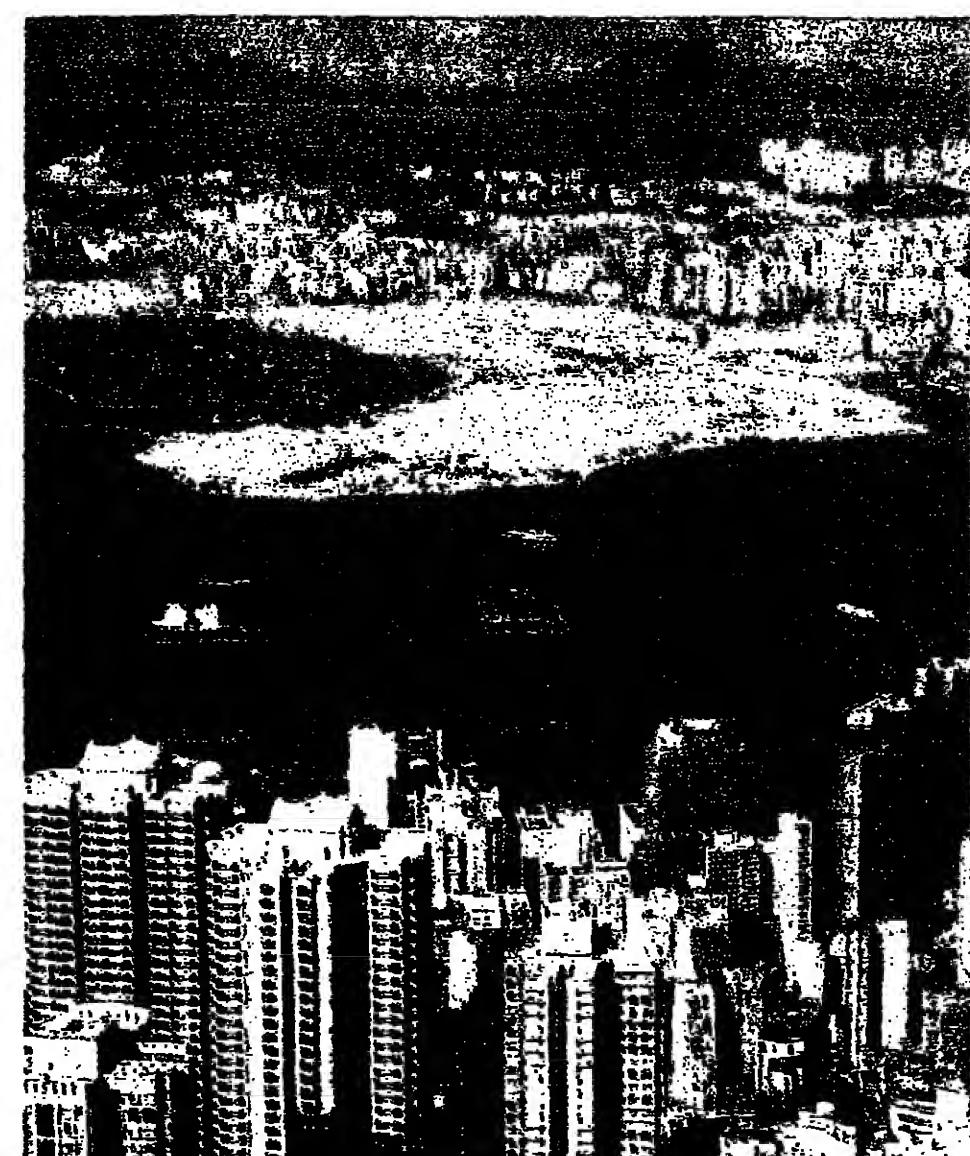
The risks are highlighted by the structure of Hong Kong's economy. Its evolution from a manufacturing tiger to a maturing service centre continues to provide a lucrative division of labour with southern China, "The shop at the front and the factory behind are working well," says Mr Wang Wengui, a development official in Shenzhen, one of the special economic zones across the bor-

But the shift of the colony's manufacturing to southern account for more than 70 per cent of Hong Kong's GDP. As a result, the territory is increasingly dependent on peoplebusinesses and consumer sentiment. Last year's retail slump, which limited growth to a lacklustre 4.6 per cent, showed the importance of mood. Damaged confidence or significant emigration could deliver a much more serious

Mr Donald Tsang, the financial secretary, has no qualms about the rise of services, arguing that it reflects a natural development of Hong Kong's comparative advantage. "The time has come to give the service sector the place it deserves in economic policy," he said in his maiden budget speech this month. The finance chief also predicted improved economic performance this year, with momentum gathering from the second half.

Revocation of China's most favoured trading nation status with the US, would undermine this forecast, damaging Hong Kong's trade. So, too, would political jitters in the colony.

Beijing has signalled some awareness of this, adopting a more business-like approach to Hong Kong over the past year. Chinese leaders have stressed their commitment to the "one country, two systems" formula that underpins the transfer of sovereignty and pledged to uphold Hong Kong's auton-



Reach for the skyscraper: Hong Kong's financial services heartland will be a conduit for China's capital needs

omy. A recent survey by Baptist University suggested some progress, with more respondents citing a positive impression of Betjing. There bave also been

advances on seemingly intractable problems, from an agreement on funding for the new airport to a political accord on a new container terminal. After their meeting in Bangkok last month. Mr John Major, the British prime minister, and Mr Li Peng, his Chinese counterpart, both spoke of improved bilateral ties.

But pitfalls remain. Beijing's tough stance towards Taipei has raised the possibility of miscalculation or confrontation. Either would hit hard in Hong Kong, which is closely watching the sabre-rattling between China and its island neighbour.

While overall bilateral relations with Britain have improved, areas of tension remain. In addition to specific disagreements, such as Beljing's pledge to dissolve Hong Kong's Legislative Council, elected last year under Gover-

nor Chris Patten's democratic reforms, there is broader friction over China's distinction between political and business

"They are still taking a tough line on politics and control," says one British official. "The problem is that Hong Kong is a sophisticated information-based society. Tight control might work when you are making plastic flowers but not when you are providing the headquarters of Merrill

Across the local political

#### IN THIS SURVEY

a The tiger tamed: the territory has matured into a service-based economy. An analysis of the change Ties in China: the increasing trade and economic links between Hong Kong and the mainland



 Polls apart: elections to the Legislative Council have highlighted the rift between Beijing supporters and the democrats. Reports on

Made in Hong Kong: a look at the contracting manufacturing sector

 Bank charges: how the penetration of China

Centre forward? Regional investment activity currently revolves around Hong Kong. Will it atways?

Boats and trains and planes: the progress of new infrastructure projects and the life and times of Cathay Pacific

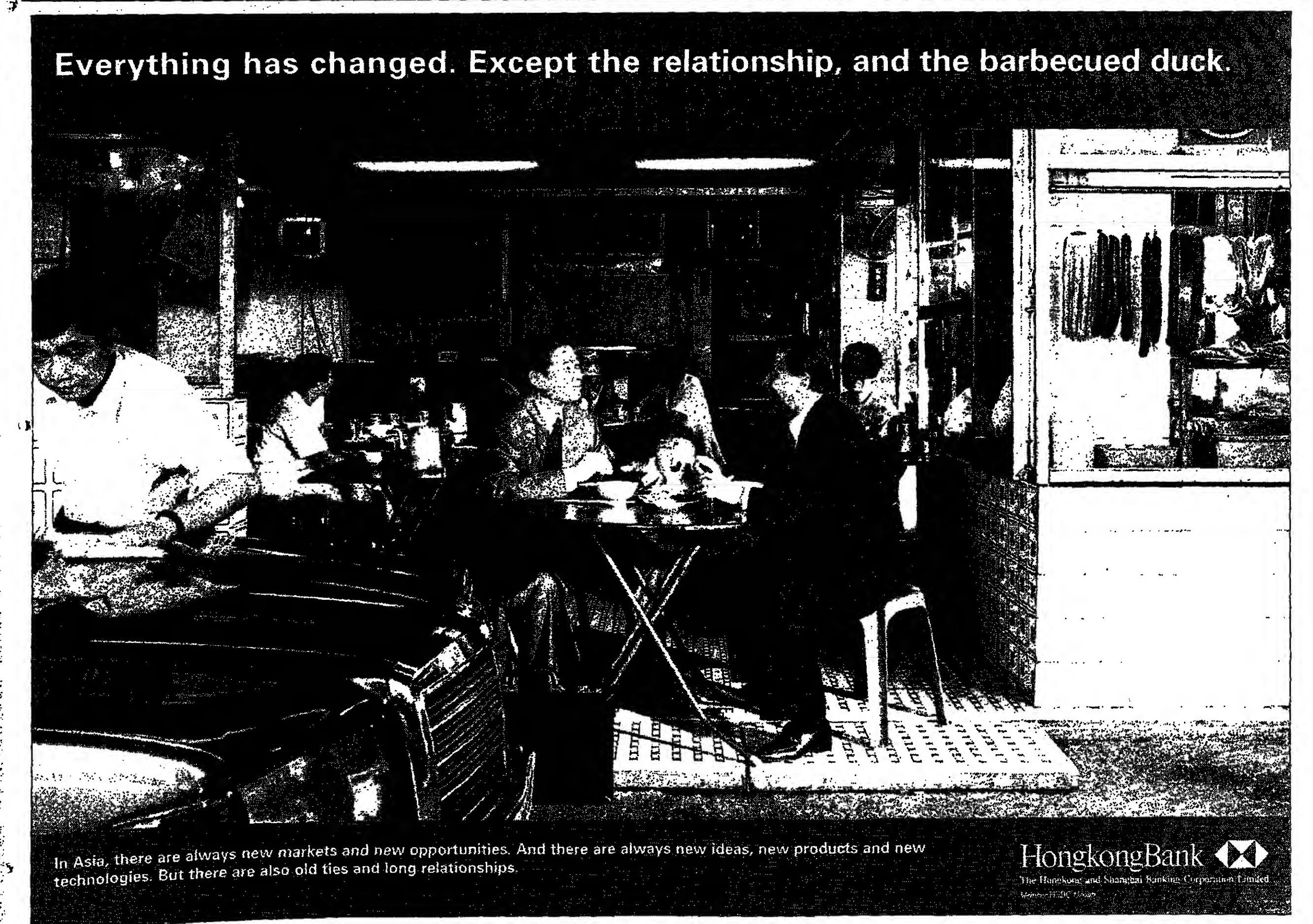
Power blocks: increasing demand for flats is helping to keep the property sector buoyant

This survey coincides with the opening of a new Financial Times print site in Hong Kong. From today, readers in Asia should be able to obtain their copies more quickly.

spectrum, from the Democratic party of Mr Martin Lee, which rode to victory in the Legco elections, to the Pro-Beijing groups, the key issue is Hong Kong's ability to retain autonomy in legal, social and economic issues after 1997. In this respect, there is also agreement that the next few months will be decisive.

The most important decision will be the choice of Hong Kong's first chief executive. A small group of frontrunners

Continued on page 8



## Muffled roar of maturity

After a lacklustre 1995, economic prospects are beginning to look brighter

Hong Kong's roar has been quieter of late. The double-digit growth rates of recent memory have been replaced by more sedate numbers as one of east Asia's first tigers has matured into a service-based economy.

This slowing has been exaggerated over the past year by a fall in the retail and property markets, the price of a speculative expansion in 1992 and 1993. "We have been having a tough time," says Mr Rodney Miles, chairman of the Retail Management Association.

But the gloom now seems to be lifting. In his maiden budget speech earlier this month, Mr Donald Tsang, the financial secretary, forecast an improved economic performance this year. GDP is expected to expand by 5 per cent, up from last year's 4.6 per cent growth. with momentum gathering from the second half.

More importantly, Hong Kong's longer term competitiveness - and its position as a regional hub for trade and financial services - has been strengthened by the fall in costs. Annualised inflation fell from 10.1 per cent in January 1995 to 6.6 per cent by the end of the year.

"It was essential that specu-

Tsang, "Growth is better balanced, and the fundamentals are robust." Mrs Joanne Yim, manager of economic research at Hang Seng Bank concurs "We have been undergoing short-term pain for long-term gain," she says. Signs of revival are already

lation was cooled," says Mr

apparent. The property market is picking itself up from the floor, while consumer spending appears to have bottomed at the turn of the year. "The mood is turning," says one stockbroker. "Soon the bad news will be forgotten, although it has left a nasty

it has also provided some potentially salutary lessons. The downturn highlighted the importance of sentiment in Hong Kong's economy, while the rise in the unemployment rate to 3.5 per cent - a 10-year high - prompted concerns about the economy's ability to absorb unskilled labour. At the same time. Hong Kong's continued expansion demonstrated the importance of its ties with the Pearl River delta, the economic region in southern China to which the colony is

firmly bound. Growth across the Hong Kong border has continued to provide one of the economy's main motors, contributing to a rise in exports of 14.9 per cent in 1995, with re-exports accounting for the bulk of shipments. Imports grew faster. prompting a visible trade defi-

..1,075 sq m

... Christopher Patten

cit of about HK\$150bn, but the rise largely reflected the purchase of equipment for the colony's ambitious infrastructure

"The deficit is not a cause for concern because these investments will increase the productive capacity of the economy," says Mr Jim Wong, economic adviser at Hongkong Bank

As for the steady rise in reexports, Mr Wong is sanguine. "The division of labour has been working well," he argues. "The industrialisation of southern China and Hong Kong's role as a trade and services gateway provide a lot of

potential for growth." Mr Gordon Siu, government secretary for economic services, believes that other hubs will develop in the region, but that Hong Kong's infrastructure and its location will keep it ahead of Shanghai, Singapore and other potential rivals. Although Mr Sui accepts that the underlying trend of growth has slowed, he sees the potential for surges from specific sectors such as telecoms.

This year, exports should again drive the economy. although expansion may be limited by a slowing in international demand and a stronger US dollar, to which the Hong Kong currency is pegged. Beljing also appears to have ruled out any significant slackening in monetary policy, as it seeks further gains in its battle against inflation.

> Most are bullish about China's prospects. Although the economy has cooled, it is still expected to chalk up annual growth rates of about 10 per cent in the medium term. But there are some areas of concern. Dr Thomas Chan, head of the China Business Centre at Hong Kong Polytechnic University, sees obstacles to continued economic development in Guangdong, the province adjacent to Hong Kong that has propelled China's export growth. "Industry in the region has not increased its value added or sophistication and it faces growing competition from other provinces," he says.

There are question marks

hanging over economic pros-

pects. Continued easing in

interest rates has been thrown

into doubt by the turmoil in

the US bond market. Hong

Kong would also suffer if the

US were to revoke China's

Most Favoured Nation trading

status, a move that would

slash exports and re-exports

and possibly knock a couple of

percentage points off GDP

growth. In addition, structural

shifts in Hong Kong's econ-

omy, notably the rise of ser-

vices, have increased its depen-

dence on the mainland and left

it more vulnerable to mood

For Mr Tsang, the rise in ser-

vices, which now account for

more than 70 per cent of Hong

Kong's GDP, is no cause for

concern. Rather, it is a natural

progression that reflects Hong

Kong's comparative advan-

tages. The time has come to

give the services sector the

place it deserves in our eco-

nomic policies," he said in

announcing his budget. The

finance secretary then

unveiled a set of proposals,

from specific measures to boost

the debt market to broader

support for the colony's service

The ascent of services, how-

ever, increases the importance

of the mainland's economic

performance. "If your role is to

service a hinterland, then obvi-

ously you are in the hands of

says the chief economist at one

how that region performs.

investment bank.

swings.

industries.

Within Hong Kong, the rise of services has increased the importance of confidence at a time when the territory is preparing for the transfer of sover-. Six signs of tightening bonds with China China is Hong Kong's largest trading partner.

In the first eight months of 1995, two-way trade rose by 18 per cent to HK\$640bn. Eighty-eight per cent of goods re-exported through Hong Kong were destined for or originated from China.

 In the first eight months of 1995, 17,5m trips were made by Hong Kong residents to China, a 7 per cent increase.

 Hong Kong is China's most important source of external investment. By the end of June 1995, the cumulative value of realised direct investment from Hong Kong amounted to about US\$68bn around 60 per cent of total foreign investment.

 Much of Hong Kong's investment has been in Guangdong province. At the beginning of 1995, the cumulative value of Hong Kong's realised. direct investment in the province was estimated at US\$25bn, accounting for more than 70 per cent of the total. More than 16,000 companies involving Hong Kong interests were registered in Guangdong.

China, along with the UK, is the largest outside investor in Hong Kong. At the end of 1994, total direct investment from China was estimated at about US\$20bn.

 Financial transactions between Hong Kong and China have grown substantially. At the end of June 1995, external claims by Hong Kong's authorised institutions on China's banks and non banking entities reached HK\$201bn and HK\$65bn respectively. Their corresponding external liabilities to banks in China amounted to HK\$237bn.

Source: Hong King governmen

any pieces."

actions, such as the announceeignty. "Services are people ment earlier this year that Xinbusinesses," says one senior hua would assert tighter conbanker. "If the Hong Kong way trols on financial news of doing business is threatdissemination in China. have ened, and if key people leave in caused disquiet. So too have substantial numbers then the wrangles over specific commerimpact would be profound. There are rival centres, such as cial issues, such as the impasse Singapore, waiting to pick up on the award of mobile telephone licences. Among the main concerns

"There is obviously a worry about possible interference in the Hong Kong system," says one investment analyst. "This may not come from Beijing. but from sectional Chinese

interests. We are not talking about a monolithic country. To illustrate the point, he cites the attempt by CNAC, the subsidiary of the Civil Aviation Authority of China, to establish a Hong Kong-based airline - a move that poses a threat to Cathay Pacific, the colony's de facto flag carrier.

Despite such concerns, most observers in the business and political community play down the risks relating to 1997. "In spite of the difficulties we have had, on the business side

China has accepted our way of doing things," says Mr Rafael Hui the government secretary for financial services.

There may be some bumps along the way, but the general view is that the transition will be successful," says Mr Edward Young, managing director in Asia Pacific for Moody's, the credit rating agency. Another executive puts it bluntly: "China knows it could kill the golden goose if it blunders in. It also knows it would be crazy to do that."

#### HK Investors: 1996 top ten 24,982 New World Development 21,296 2 Hopewell Holdings 13,751 3 Henderson Land 9,592 4 Hutchison Whampoa 5 Cons Sec Power (CEPA)\* 8,767 7,700 6 China Ught 7,370 New World Infrastructure 4,812 B Hang Lung Development 9 Sun Hung Kal Property 3,822 3,714 10 Citic Pacific Spun off from Hopewell in 1993 Attributable cost PROVINCE Guangdong 19,860 Shanghal 10,732 Hubei 10,334 Belling 9,005 Shandong 3,641 Jiangau Lisoning 2,577 Sichuan 2,113 Anhui 1,679 Gustnard 1,534 Tanin Henen Hellongleng 132 77 Shand Hainan \*March 1998

#### **KEY FACTS**

Source: Economics Intriligence Unit

Population		6	.2m (1996	estimate)
Currency	M. 141 1144 111 11 11 11 11 11 11 11 11 11			HK dollar
Average exchange rate	.	1995	: HK\$7.736	per US\$
	1994	1995	1996*	1997*
Total GDP (US\$bn)	132.3	150.5	166.7	179.2
GDP per head (US\$)	21,833	24,321	26,709	29,285
Consumer prices (% char	nge) 8.1	9.0	7.5	6.5
Manuf. output (% change	0.5	1.8	0.9	0.9
Unemployment (%)	1.9	3.2	3.5	NA
Money supply M2 (% cha	ange) 18.0	16.5	14.0	12.5
Minimum lending rate (%)	8.5	9.0	9.5	9.5
Total external debt (% GI	OP) 13.2	12.7	13.0	13.1
Current balance (US\$on)	2.7	-2.0	-0.3	0.6
Exports (US\$bn)	151.4	176.4	196.3	216.4
Imports (US\$bn)	161.8	194.3	214.8	236.6
Visible trade balance (US	\$bn) -10.4	-17.9	-18.5	-20.2
Services trade balance (U	ISSbn) 13.8	16.8	19.2	22.1

Private consumption 58.7 Total investment 8.1 Govt. consumption Main trading partners (% of total, 1995) Exports China US Japan Germany **Imports** China Japan

GDP components

Taiwan

ASIA IS OUR WORLD

Trade: by Louise Lucas

are the need to uphold trans-

parency in business dealings,

maintain the free flow of infor-

mation, and ensure a fair legal

system. Some of Beijing's

## deficit, but no decline

Last year's balance of payments figures exposed the territory's more fragile side

Hong Kong was colonised for its port, the nucleus of trade, and a century and a half later it is still high-stacked vessels

There have, of course, been changes in the interim, the most recent of which has been the metamorphosis of a manufacturing-led economy into one characterised by services following the re-opening of China in 1978. Re-exports, goods en route from China and elsewhere docking at Hong Kong for either high-end embellishments and/or services such as insurance and freight forwarding, now account for some 80

per cent of total exports. Yet, despite the colony's reputation as a trading heartland, its imports and exports balance is less than healthy. While the growth in exports is still a robust 14.9 per cent. Hong Kong last year posted one of its biggest trade deficits, sparking concerns in some quarters of a prolonged slowdown in the

According to provisional goveroment ligures, the trade delicit last year stood at HK\$147bn, almost double the previous year's HK\$80.70bn. Private sector estimates suggest the deficit will not be wiped out by a compensatory surplus in services; instead, an overall deficit of some HK\$22.3bn is forecast, or just under 2 per cent of the economy, according to the head of strategy at Crosby Securities, Mr Ray Farris.

The deficit is the result of

two key factors - last year's domestic recession, which led to unintended inventory accumulation, and vast imports of capital and intermediate goods. mainly related to the construction of the new HK\$158bn airport and its connecting rail link being built on Lantau island. (Mr Farris's calculations show that the last time around 2 per cent of the economy was in 1981, when the Mass Transit Railway underground train system was built.) Exacerbating the trend was the relative weakness of the Hong Kong dollar, which is pegged to the US dollar. against European currencies and the year much of the big machinery imports were bought from Japan and Ger-

Another wason for the deficit is smuggling ~ a problem private detective agencies say is growing almost daily. One economist's calculations suggest it accounted for a \$28bn deficit in cars alone in the first 11 months of last year. Meanwhile, transhipment - whereby Hong Kong ships components or raw materials to China, where they are used in manufacturing and then shipped



Terminal progress: the world's biggest container port is expanding

Hong Kong but also some 50

Equally ebullient about the

future outlook for trade is Mr

Victor Fung who, in his capac-

ity as chairman both of his

family's trading business and

the colony's Trade Develop-

ment Council, is well-versed

world's biggest container port

and second largest air cargo

centre, and that's going to be

the thing that cements our

position as we go into '97 and

Undeterred by the fact that

expansion of the world's hig-

gest port has been held hostage

to Sino-British wrangling for

the past two years, he stresses

instead the flexibility of the

economy which has, for exam-

ple, seen mid-stream

operations take off. (When there is port congestion, ships

can unload goods on to lighter

vessels, which now account for

"Hong Kong is already the

and inclined to optimism.

beyond," he says.

per cent of its imports.

back through Hong Kong virtually untouched - is making the situation worse. The colony supplies services such as insurance or transport for such shipments but they are not registered in the trade figures.

Notwithstanding these problems, the consensus is that last year's deficit is a blip rather than a U-turn in trading fortunes. Mr Tony Miller, director-general of the government's trade department, says: "Are exports going to continue to grow? The answer is, yes, of course they are. The question is, will they grow at quite such a phenomenal rate as the last 10 years? Answer: probably not, and may be that's a good thing. But growth will still be extraordinary compared with the rest of the world."

Mr Miller is perhaps entitled to his hyperbole. Since 1986, year-on-year export growth has averaged 20 per cent, with China and the US consuming the lion's share (respectively HK\$447.6bn and HK\$292.2bn last vear).

Re-exports are the real engine of this, accounting for some four times the value of domestic exports. This, notes Mr Miller, again emphasises Hong Kong's role as a trading hub: "Singapore's figures are similar. That reflects the way modern communications are working - people find it convenient to run their distribution using all the latest tracking systems and Hong Kong and Singapore are the region's biggest and most efficient hubs.

"With re-exports what matters is volumes and the added value we put in in the services. We have a natural role, comparable with Amsterdam in Europe or New York in the US as a point of exit and entry for a huge hinterland and we make money out of that."

The biggest user - and, as it cuts both ways, market - is China. The country lacks a port with the capacity to receive the likes of grain and fuel. According to Mr Miller. this means not only that some 70 per cent of its exports go via

some 28 per cent of Hong Kong's volume.) While China is Hong Kong's natural focus, the colony is very much involved in the international arena, standing up staunchly for free trade - it is the "purest defender in the faith of the multilateral system (now WTO)", says Mr Miller and attempting to reverse V international sanctions on always vulnerable.

Mr Miller says: "We have always made the point - and we are not apologists for China - that encouraging trade and investment is going to be a stronger force for economic improvement and social improvement than denying

"Who could be more concerned about human rights than the average person in Hong Kong? But the point made here by business and others is that the linkage is not a helpful one; that it would hurt those on whom the process of reform actually relies."

As the world's eighth biggest trading economy, Hong Kong is afforded a fair voice in the World Trade Organisation and more tellingly, has taken a pivotal role in the Asia Pacific Economic Co-operation (APEC), the grouping of countries that spans much of the non-European world. It is also attempting to build its own free trade region, which would be open to all countries, provided they played by the same

While current account deficits may be a thing of the past. this year will not be plain sailing. Tension across the Taiwan straits and a US that is in election year and ever concerned with human rights abuses in China. do not augur well. Says Mr Miller: "This has always been a somewhat vulnerable place, and it will be a difficult year from that point of view."

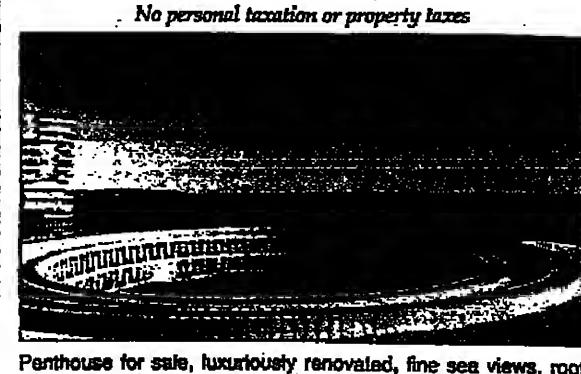
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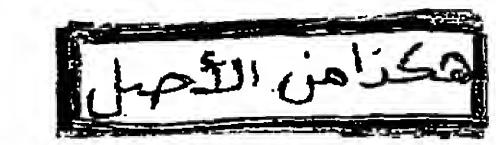
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In tougher times: Chris Patten and Legco's president, Andrew Wong

■ Politics: by John Ridding

## Enter the age of contention

Increased political activity poses a K. threat for Hong Kong's present and future government

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Democratic shoots have pushed through the surface of Hong Kong's long-barren political landscape.

Prompted by the political reforms of the governor, Mr Chris Patten, democratic candidates scored a surprising victory in last year's elections for the colony's Legislative Council (Legco). Capitalising on concerns about the transfer to Chinese sovereignty and on local social issues, they have added a further complication to the handover in 1997 and beyond.

Beijing has pledged to push through its own political agenda, promising to dissolve the new Legco, which has provided a platform for some of China's staunchest opponents. But this stance has itself kept politics in the spotlight, focusing attention on the credibility of the institutions that Beijing is backing for its new Special Administrative Region (SAR).

"We have to remove anxieties about the political structures that will be put in place." mys one of the 150 members of the Preparatory Committee, the Beijing-appointed body that will oversee the transition. "It is a question of ensur-

#### Legco has been a platform for China's opponents

ing autonomy for Hong Kong." That anxieties exist was made clear in the Legco vote. These polls, the first to elect all 60 members of Legco. proved a triumph for Mr Martin Lee's Democratic Party and a blow for pro-Beijing groups.

Still more evident was a division among the politically active members of the population about how to deal with Beijing. "There has been a polarisation, a loss of the middle ground, and that is unfortunate," says Mr Tsang Yoksing, head of the Democratic Alliance for the Betterment of Hong Kong, the pro-Beijing party that secured only a handful of Legco seats.

Mr Tsang argues that Beijing has been making efforts to heal the division. Senior Chinese lei jers, including Mr Jiang Zemin, the president, and Mr Li Peng, the premier, have stressed their commitment to Hong Kong's autonomy. Recent polls suggest their message has hit home. A February study by the Transition Project at Baptist University showed an increase in the proportion with a positive view of China vis a vis Hong Rong - and an increase in those identifying themselves as Chinese.

But if there are those who are reconciled to Chinese sovereignty, there are others who are still fearful. China has remained intransigent on the Legco issue and has focused much of its reassurances on business community. rather than the public at large. There is no exodus, but emigration figures are rising. Mr Michael de Golyer, head of the Baptist University transition project, forecasts that between 90,000 and 100,000 people will

leave this year, compared with a trend rate of below 60,000. Even those warming towards the idea of Chinese sovereignty may simply be resigning themselves to the inevitable.

"People know there is nothing that can be done about sovereignty." says one sociologist at a Hong Kong university. This does not mean that they are turning their backs on politics, he says, but that they are giving more emphasis to day-to-day concerns, from wages, to redundancy conditions and unemployment.

"People in Hong Kong have become more politicised in the sense that they want to express themselves on social and economic issues," says Mr Allen Lee, leader of the centreright Liberal party. "That is one reason why political development will continue."

How it does so, of course, is the key question. Legco continues to provide the forum for immediate political issues. such as the establishment of pension funds, welfare concerns, and this month's budget. But much of the action is now happening elsewhere. The Preparatory Committee is laying the foundations for an electoral college of 400 Hong Kong people to select the first chief executive of the Special Administrative Region (SAR)

While the bustle around the new institutions suggests Beijing is getting down to bustness, it has failed to remove concerns. The Preparatory Committee is dominated by business interests and does not include any members of the Democratic Party, weakening Beijing's claim that Hong Kong will be governed by its own

of Hong Kong.

Mr Patten warns of the potential risks in excluding the Democrats from the new institutions of the SAR. "How can you justify trying to lock out those who, according to the polls, represent 60-70 per cent of the people of Hong Kong?"

Much will also depend on the choice of chief executive. Several names have emerged to form a small group of frontrunners, including Mr Tung Cheehwa, a shipping tycoon, and Mrs Anson Chan, the current head of the civil service. Other names touted include Mr Lo Tak-Shing, a former member of the colony's executive council, Mr Leung Chun-Ying, a businessman, and Mr S. Y. Chung, a former member of both Legco and the executive council.

A decision on the new chief executive is due by the autumn, but whoever takes the belm is likely to face a tough challenge. They will need to stand up to any interference from the mainland and ensure the smooth running of an administration, which, by dint of Hong Kong's economic importance, may well prove a focus of factional struggle. The task will be complicated by the local community's newly stirred political aspirations, and by the need to maintain the morale and efficiency of the civil service.

"If politics haven't been much of an issue here before, it is partly because the Hong Kong system has worked pretty well." says one diplomat. "If it starts to break down, or people feel their freedom and economic aspirations are threatened, then politics could matter a lot more."

Composition of Legeo by party

brusry 1996	Democratic party 19 member
	Independents +6 member
	Liberal party 8 member
	DAB 6 member
	ADPL 4 member
	No indication 2 members
	Others 5 thembers
	Total 60 member

Sino-British relations: by John Ridding

## Pragmatism prompts a delicate detente

Despite improved relations between China and the UK pitfalls remain

The storms over Hong Kong have abated in recent months. Both Beijing and London officials talk guardedly of a more business-like approach from their opposite numbers and of an easing of the tensions that have dogged the final phase of British sovereignty.

But despite the warming of relations since mid-1995, the run-up to next year's transfer of sovereignty is riddled with risks. Differences, disagreements and latent disputes are still to be found in bilateral ties and could disrupt the smooth handover sought by both sides. "Better but brittle", is one UK diplomat's assessment of dealings with China. "This will be a difficult year, there are no illusions about that." It was a series of top-level meetings

that gave the impression of a new accord. At the end of last month, Mr John Major, the British prime minister, and Mr Li Peng, the Chinese premier, both spoke of easier relations after their meeting in Bangkok. Before that, the improvement had taken Mr Malcolm Rifkind, the foreign secretary, to Beijing and Mr Qian Qichen, his counterpart, to London. More positive ties are also apparent from progress on once intractable disputes, such as the financing for the

new airport in Hong Kong, and Irom

Financial Services:

Corporate Finance

Stock Brokerage

Direct Investment

Fixed Income

**Derivatives** 

FOREX and

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Project Finance

Investment Management

container terminal that is designed to consolidate Hong Kong's position as the world's busiest port.

Other advances include an agreement on the issuing of passports for the new Special Administrative Region (SAR), as Hong Kong will be known after the transfer.

The Sino-British Joint Liaison Group has also made headway: its 35th meeting last month brought Chinese agreement on Hong Kong's continued participation in more than 200 international treaties, from aviation to shipping, and progress in talks on the thorny issue of adapting laws to straddle the change in sovereignty.

But if the signs of improvement are clear, so are the motives behind them. China is aware that time is ticking away before it regains control of Hong Kong and that it needs to secure an orderly transfer. Its relations with the US have taken a tumble over trade and, more receptly, Taiwan. "They can't take on the world at once." says one western diplomat, referring to the incentive to improve ties with the UK.

That the Taiwan issue looms large in Beijing's thinking, and that it represents a strategic consideration in policy towards Hong Kong, is clear from the leadership's recent statements. "The return of Hong Kong to the motherland is the first station in our Long March," the Chinese president. Mr Jiang Zemin, told the January inauguration of the preparatory committee, the body that will oversee the reimposition of Chinese sover-

eignty. "After that there is Macau and finally Talwan."

For Britain, the motivation for a

smooth transfer is the same as it has ever been. "They have to make the best of an essentially unsavoury task," says a political analyst at Hong Kong university. "They want to leave with dignity. A lot of attention will be focused on the handover, so bow Britain leaves has important domestic



China's president, Jiang Zemin: his 'Long March' leads to Taiwan

political implications.

In commercial terms, Britain cannot afford to alienate itself from China's rapidly developing economy. A 250-member trade mission is scheduled to visit China in May, just one mark of the importance attached to economic ties. Although the Hong Kong governor, Mr Chris Patten. argues that trade flows have not been damaged by diplomatic wrangling in the past, specific projects, such as the

new container port, have been

More broadly, business is keen to put 1997 behind it. "Once the Hong Kong issue is out of our hair then life will become a lot more straightforward," says the managing director of one UK industrial group with investments in southern China.

A mutual interest in a successful transition, however, does not imply that the transfer will be plain sailing. The sheer complexity of the unprecedented diplomatic task, the divergence of interests concerning some of the large number of outstanding issues, and the difficulty in establishing trust after a series of well-publicised spats suggest storms may again erupt. Nor is a smooth transition itself sufficient. "Success will be judged by what Hong Kong is like after 1997, by the extent to which we maintain the special features that have made Hong Kong work," says Mr Patten.

In predicting areas of further clashes, observers are keeping a weather eye on issues that relate to political control. China's pledge to abolish the legislative council, elected last year on the basis of reforms implemented by Mr Patten, and the composition of the bodies with which Beijing seeks to manage the transition, stand as sources of friction between the two sides.

In a tough speech earlier this month, Mr Major warned China that Britain would take steps to ensure compliance with the 1984 Sino-British

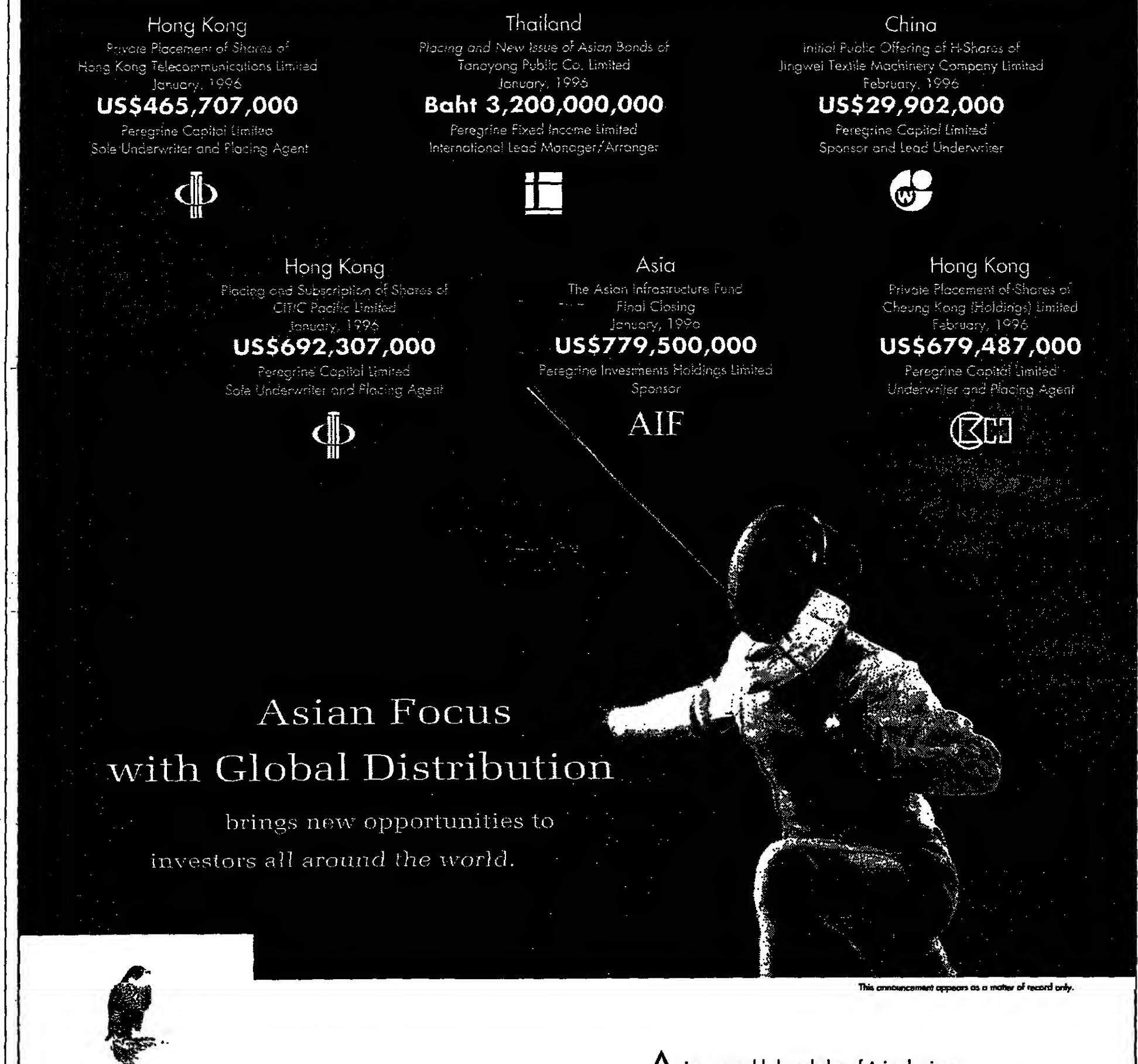
Joint Declaration. "If there were any suggestion of a breach of the Joint Declaration we would mobilise the international community and pursue every legal or other avenue available," said Mr Major. China, however, has stuck to its pledge to dissolve the legislature, raising the prospect of a

clash. There are also problems with specific commercial cases. Despite progress on several fronts, Mr Hugh Davies, Britain's senior representative on the Sino-British Joint Liaison Group, expresses frustration about China's refusal to approve the award

of six new mobile telecoms licences. The handover ceremony itself provides plenty of potential for pitfalls Britain is seeking a suitable - grand but not ostentatious - farewell on the 30th. China prefers to pencil in the following day for the significant ceremonies. "This is going to be one of the biggest and most complex tests of protocol." says one British official. "I

would take a royal wedding any day." For him, as for other observers, part of the problem in bilateral ties has always been a gap in comprehension and occasional suspicions of each others' intent. "The legacy of wrangles over the past few years has had an effect. But the difficulties go deeper. Our political cultures are different, so we are always having to overcome a hurdle of understanding, which is very time consuming."

The problem both sides face is that there is not much time left on the



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#### Manufacturing: by Louise Lucas

Smaller, but perfectly formed Although the industrial sector has contracted, its technological advantages remain

Hong Kong's proud shift from Asian sweatshop to sophisticated service centre would appear to be less than fully appreciated by the foreign investors who continue to spend billions of dollars in the shrinking manufacturing sec-

In 1994, the latest year for which data are available, the colony's manufacturing industries attracted HK\$43.97bn in external investment, 8 per cent up on the previous year and some four times the figure in 1984. Japan leads the pack. accounting for a third of all external investment in manufacturing, but even China -Hong Kong's factory floor, as popular wisdom would have it - spent \$4.2m, mainly in tobacco, transport equipment and electronics.

Bigger spending has less to do with spiralling overheads than building bigger stocks of fixed assets. That foreign investors continue to upgrade and expand their manufacturing plants in a place where rent and wage inflation make a mockery of the "cheap labour" concept is testimony to Hong Kong's good infrastructure and highly skilled workforce. It also reflects the fact that the colony has changed its role

in manufacturing. Mr Victor

Fung, chairman of the Trade Development Council. explains: "As we integrate with the southern part of China we are retaining front and back end manufacturing processes in Hong Kong and just moving the labour intensive middle portion, keeping the design, marketing, engineering and financial side (banking, distri-

His words are echoed by Mr. Tony Miller, director-general of the government trade department: "From 1983-1993 our manufacturing workforce halved but the value of our manufacturing exports went up by 83 per cent. What changed was the composition

of the industry and the scale of ow investment in offshore manufacturing." Moreover, manufacturing

bosses contest that following Hong Kong companies over the border to southern China does not necessarily save dollars. Allow for a higher level of rejects and repairs, and add transportation costs to the big export markets, and the savings - especially in the electronics sector - become less impressive, they say, Clearly this does not hold true for all goods. Companies in the textiles industry, once a mainstay of Hong Kong's manufacturing-oriented economy, have mostly migrated south.

One of the last local businesses to up sticks was Winsor, which shut down factories and axed For the few remaining textile 600 staff last May, before head-

ing to cheaper pastures. Once protected by rules of origin that stipulated quota guarantees, textiles now face fierce competition from the likes of India and Pakistan. Countries no longer take their full quotas. Europe, for example, took less than 60 per cent of its allowance in 1994 and, says Mr Miller, that figure will probably fall to 55 per cent for last year. Aithough quota use has not declined so rapidly in the US, where profit margins are slightly higher, it fell to 95

per cent in 1994 and is calcu-

lated to have slipped to 90 per cent last year.

manufacturers. China remains a tempting option. Only last month, Fountain Set, a manufacturer of knitted fabric. spoke about the possibility of relocating its 800-worker fabric printing plant to China to cut labour costs.

By contrast, Hong Kong still bas the edge in the manufacture of products as diverse as air fresheners, cigarettes and semiconductors. In the chemicals and foods industries, where quality is of paramount importance and precision technology essential, the territory is still the preferred location of

Manufacturing industries Employed (000) Establishments (000) Value (HK\$ billion) 320 - 800 280 240 200 Establishments

a number of manufacturers. While intra-Hong Kong expansion is still on the cards for many companies - some 21 per cent of foreign businesses investing in manufacturing in Hong Kong, according to Hong

Kong government statistics

Socrea: Consus and Statistics Department

plans discussed oven a year ago have been whittled down. Research shows that interest in manufacturing in Hong Kong is declining. In 1994, 31 per cent of the companies that responded to the government's survey signalled an intention

to expand production, while 52 per cent planned to maintain a status quo. Last year by contrast, 18.5 per cent were looking to phase out part or all of production, and 20.6 per cent to set up additional plants in China.

The need to stay competitive is what drives manufacturers across the border discounted land and labour costs widen profit margins, Borthwicks Fla. vours and Fragrances (Asia), a British venture serving the food and air fresheper industries based in Yau Tong in the New Territories, is a case in point. Last year, the company which exports some 80 per cent of its output, swore by Hong Kong for its technical know. how and support. It believed Hong Kong offered the best technology in the region and last year proposed expanding its total investment in the colony, in keeping with an annual growth in sales of 20 per cent. Now, however, sales are no longer forecast to increase so rapidly and Borthwicks says it cannot hold off migration north.

As before, those most interested in maintaining a manufacturing base in Hong Kong are those making higher-end goods. Giants such as Amera ica's Motorola Semiconductors. which employs more than 3,000 people at its manufacturing sites in Tai Po Industrial Estate (dubbed "Silicon Harbour Centre") and Kwai Fung. are increasing their investment in Hong Kong manufacturing. Clearly, the colony's professional, technical and language skills as well as its infrastructure support, especially in telecommunications and computers are still a powerful attraction.

PROFILE

bution, finance)."

Egana, watch maker

## The wrong time to relocate

Egana of Switzerland (Far East), a watchmaker, reckons it could cut its manufacturing costs by as much as two-thirds simply by shifting operations across the border. This would not be a huge logistical task in itself -Egana already has production lines in Shenzhen where 150 workers produce mass-market watches for the likes of Esprit and Stefanel - but indirect costs such as transport and

repairs would quickly whittle

away the savings and work

would be doubled. Mr Peter Lee, a director of the group, says China is still "not ready" to subsume total output. It is a phrase repeated by manufacturers across the industries when it comes to contemplating complete relocation: labour may be cheaper but it is technically miles apart from that in Hong Kong and poor infrastructure means goods spend longer in transit - as much a problem for makers of high-fashion items, be it clothes or

watches, as for makers of perishable goods.

For Egana, the manufacturing arm of Egana International - a watch distributor listed on the Hong Kong stock exchange, whose designer-label watches can cost up to US\$10,000 - highly sophisticated technical skills are a must. Hong Kong provides those skills; equally important, its provides the mentality that appreciates the link between big price tags and quality of product.

Upmarket items need to be expertly handled, and because of this. Mr Lee does not see the Lai Chi Kok factory being closed down in the near future.

Volumes have been rising steadily since the company first opened 17 years ago. It produces up to 4m watches each year; its turnover in 1994 hit HKS1.1bn.

Manufacturing is done mainly for export markets, principally Europe and Japan. This provides a further reason for keeping the Hong Kong operation for the time being: although watches are relatively easy to transport,

Chinese importing systems and customs services have the potential to wreck the flows of trade.

Until China's trade infrastructure can match Hong Kong's, Mr Lee says there would be "no point" in closing the Hong Kong factory. "Sometimes customs can cause unnecessary hindrance in China. At the moment it's smooth, but this could all change if we started putting through larger quantities," he continues. "The problem is in introducing cross-border activities. Everything is in-house in Hong Koug, and

chief executive, admits that

the company has been held

back by a monopolistic culture.

"We have suffered from high

overheads and overstaffing,"

Hong Kong has the easiest structure for exporting infrastructure." To pave the way for Egana's

expansion plans and to penetrate the US market further, Egana late last year bought a 30 per cent stake in Peace Mark, a Hong Kong listed company whose watch manufacturing and product development is based in Tsuen Wan in the New Territories. Mr Lee reckons the acquisition will enable Egana group to increase its annual output of watches from 4m to 11m pieces, with the primary

contribution coming from the

Hong Kong operations.

Broadcasting: by Louise Lucas

## The new-media minefield

The explosion of competition has led the terrestrials to lobby for regulatory reform

Broadcasting in Hong Kong, as in many places in the world, offers a fine example of the failure of regulation to keep pace with technology.

What makes Hong Kong different is the fact that its new master. China, has an aversion towards freely distributed information and is more likely to tighten than relax rules. The finer points of political philosophy, however, are not

the immediate concern of two terrestrial stations. Television Broadcasts (TVB) (in which Pearson has a 10 per cent stake) and Asia Television (ATV) now fight for viewers and advertisers with a raft of home-made and imported programmes that has descended on Hong Kong courtesy of satellite and cable.

Again mirroring the experience of other countries, telecoms companies are also getting in on the act. Hongkong

the UK's Cable and Wireless and holder of the erstwhile monopoly on domestic calls, will next year unroll its pioneering video-on-demand service. Wharf Cable, which holds the exclusive pay TV franchise and is reckoned to have some 170,000 subscribers, is piggybacking on its fibre optic sheaths and ducts to run both TV services and fixed line tele-

phone services. The onslaught of competition in a 6m strong population (1.58m households) has not been without commercial rancour, exacerbated by the lack of regulations. Earlier this year, the government shelved plans to address a number of Hong Kong's broadcasters. complaints in the broadcast What they feel threatened by bill, an omnibus piece of legisis competition; the colony's lation covering broadcasting provisions of the television and telecoms laws.

The bill would also have addressed the issue of crossmedia ownership, and would have set the ground rules upon which Hong Kong could lay claim to be the region's hub for satellite.

The delay to legislation is being exploited by Singapore, which is hoping to attract the big-spending companies. One issue of ownership

would have been especially pertinent to Star TV, the Hong Kong based satellite broadcaster owned by Mr Rupert Murdoch. Last year Mr Murdoch bought up the balance of Star TV from the family of Mr Li Ka-shing: the uplink licence, however, is still controlled by the Li family, in order to meet Hong Kong regu-However, a more immediate

fight, between Wharf Cable and Hongkong Telecom, with the former arguing that the · latter's video-on-demand service infringes on its own exclusive franchise, is to be addressed as a priority. This is as much a matter of necessity as anything else: a judicial hearing on the subject took place last month, instigated by Wharf because Hongkong Telecom then had plans to unroll its video-on-demand service in July. (Somewhat ironically, Hongkong Telecom has since announced its decision to postpone the service until mid-1997, citing improving technology and its desire to

include an Internet service.) The decision to shelve the broadcasting bill in favour of reviewing video-on-demand and cable TV has not pleased the terrestrials. Says Mr Alex

Ying, general manager (corporate affairs) with TVB: "For several years we have been telling the Hong Kong government that the regulatory environment must be revisited. As a matter of fact, it should be revamped altogether. In 1990 there were only four terrestrial channels and today there are 28 channels, including cable and satellite.

"Out of this, the terrestrials represent four channels ITVB and ATV each run an English and a Cantonese language channel] and we are carrying an inordinate amount of regulatory burden that satellite and cable operators do not have to carry."

The cost of this burden is 10 per cent of advertising revenues paid in royalties to the government - the pay-off for a quasi-monopoly. For TVB, by far the bigger of the two, the bill last year was HK\$220m. The terrestrials argue that this is excessive measured against levies on utilities. Indeed, the outlook for TVB

and ATV appears gloomy. With competition snapping at the home market, the logical move is to look at expansion overseas and partnership deals. These, however, are no guarantee of exclusivity. TVB. for example, boasts an extensive library of Chinese language programming and scored a massive success with "Judge Pao", a Taiwanese costume drama set in the Song Dynasty. It ran into trouble, however, when ATV began airing the same show.

In building future plans, TVB has not neglected to learn from the mistakes of its bigger-spending competitors, such as Star TV's early misconceived notion of English language programming for a pan-Asian market.

Mr Louis Page, the Sri Lankan born managing director of TVB and acknowledged right hand man to Sir Run Run Shaw, the 88-year-old chairman, outlines a two-pronged strategy: "We are dubbing existing programmes, which have proven to be very successful, all over Asia, and broadening our production. By using our production expertise to help in joint ventures with various local partners, such as the Hindustan Times in India and in Malaysia, we teamed up with Measat Broadcast Network Systems, launching two satellite channels in January."

HKT's monopoly has been broken, but there are still full liberalisation

Hong Kong's laissez-saire traditions have taken 70 years to stretch as far as fixed line telecommunications. But with three new network operators starting up last July, and a raft of mobile telecommunications licences due to be issued soon. competition is growing at a frepetic pace.

This might all sound like the death-knell for Hongkong Telecommunications (HKT), which has been the monopoly telephone company since 1925. Hong Kong's heavily concentrated population makes it ideal for developing telecommunications networks. Within eight months of receiving their new licences, the new operators - Hutchison Telecommunications, New T&T and New World Telephone, which are all owned by Hong Kong conglomerates - have built up coverage

 of the central business district. Nonetheless, HKT has had plenty of time to prepare itself, and has created a fully digitalised network. More importantly, it retains its monopoly on international calls until 2006. Despite this regulatory protection, however, HKT has been given a few shocks. As Mr Adam Quinton, first vice president at Merrill Lynch, points out: "The new network operators are all serious companies, each with strengths which can improve their competitive position." These strengths include investment property portfolios. Wharf's cable TV network, and Hutchison's existing mobile

phone business. The competitors were expected to tackle HKT on niche services such as voice mail, leased lines and data services. However, they have got round HKT's international monopoly by linking up with international call-back service providers. This is not particularly profitable, and does not hurt HKT, which receives a handling fee for incoming calls that more or less neutralises any impact on profits. But it is a low cost means for competitors to attract fixed-line customers to whom they can then offer other services.

HKT is having to reshape itself to face up to the prospect

#### The late call of competition new services should still of full-blooded competition in 2006, Mr Linus Cheung, HKT's

some obstacles to

he says. Having laid off 18,000 staff in early 1991. HKT is now pursuing a programme of rapid downsizing. Staff numbers will fall by 2,500 over the next three vears from the current level of

**Telecommunications:** by Simon Davies

Mr Cheung argues that HKT has been over-reliant on international revenues. "We plan to reduce that reliance from 60 per cent to 30-35 per cent over the next five years," he says. The group is considering further expansion of its mobile business and looking at areas such as multimedia (including video-on-demand services), the Internet, property development and overseas investment.

Mr Andrew Harrington, director of Salomon Brothers Hong Kong, predicts that HKT will have lost HK\$1.5bn of revenues by the year to March 1998 as a result of the onslaught of competition. But the impact of cost-cutting and

ensure steady profits growth. Competition has had even more sweeping effects on the mobile telephone operators. Hong Kong already has as many mobile telephone operators as the UK, but the government plans to award new licences for personal communications services networks.

The subject, however, is politically sensitive. Bidders have been lobbying hard in Beijing, trying to put pressure on the government to issue just three\_licences, instead of the six that were proposed by the Office of the Telecommuni-

cations Authority (Ofta). The market, however, could probably support six new entrants. The fact that only 11 per cent of the Hong Kong population owns a mobile phone. compared with 30 per cent in mature markets, suggests substantial potential for growth.

As one analyst says: "If Beijing intervenes to protect vested corporate interests at the expense of the consumer, it will carry alarming implications for Hong Kong's position as a competitive business cen-



Ringing the changes: the mobile market will get more competitive

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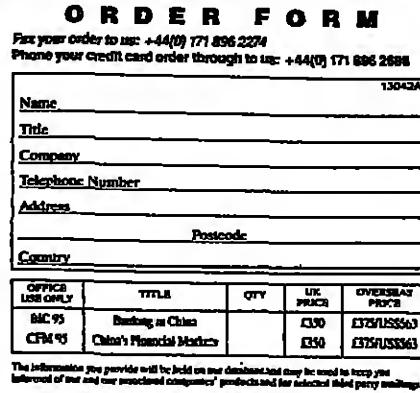
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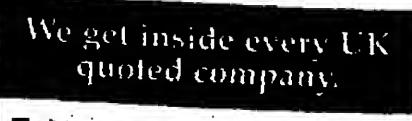
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## FINANCIAL TIMES

# COMPANIES & MARKETS

THE FINANCIAL TIMES LIMITED 1996

Tuesday March 19 1996



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#### Saks prospectus reveals losses

share story of the Saks Fifth Avenue is one of the most powerful names in US retailing. But a prospectus for the share offering by Saks Holdings, the department store chain's parent, shows this has not prevented it ratcheting up losses of \$600m over the past five years. Page 20

Strong growth at Tele Danmark Tele Danmark, the partly-privatised telecommunications group, was lifted by strong growth in net financial income as profits rose 38 per cent to DKr8.49bn (\$612m) last year. Page 18

Deposit claim hits ITC shares Shares in ITC, India's biggest tobacco group, slumped 7 per cent on news that it would have to pay an advance deposit of Rs3.5bn (\$102m) if it Wished to pursue an appeal against an Rs8hn fine for alleged tax evasion. Page 21

irish group in \$500m US expansion Elan, the Irish pharmaceuticals company, is to pay more than \$600m for Athena Neurosciences, a Californian biotechnology company. Page 23

Person pleases Stockholm bourse The Stockholm bourse jumped 1.8 per cent on the - view that Mr Goran Persson, to be sworn in as prime minister on Thursday, would not deviate from the hard fiscal line that he initiated as finance minister. Page 36

22 Hysan Development

6 Hyundai

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11 Knight Ridder

Marubani

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Pearson

Cantas

Samsung

Sanwa Bank

Sumitomo Bank

20 Telicom (Indonesia)

6 Tuito Computers

17 Westinghouse

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Schering

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23 ITC

Companies	In	this	lesue

**Aquatics Unlimited Argos** Astec, BSR Athena Neurosciences Atlantic Container

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28-29 FT-SE Actuaries indices Foreign exchange 26 Gitts prices 26 London share service 25 Managed funds service Money merkets 27 New lott bond issues Bourses Recent features, UK Short-term int rates 32 US Interest rates

26 World Stock Markets

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#### Chief price changes yesterday

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# MCI price move intensifies Internet wars

By Alan Cane in London

Moves by the world's leading telecommunications operators to take control of access to the Internet, the global network of computer networks, are acceler-

ating. Yesterday MCI, the second-largest US long-distance operator, announced improvements to its Internet network, the world's most extensive, and prices to challenge those revealed last month by AT&T, the largest US

operator. The group plans to triple the capacity of its network and provide its customers with more value-added Internet services including help in creating their own pages of information

It said it would offer its long-distance customers five free hours of Internet access a month and unlimited access for \$19.95 a month. This is similar to the offer made by AT&T when it entered the Internet access market in February causing alarm

among service providers. Mr Vint Cerf, an MCI senior vice-president and a founder of the Internet, said: "MCI's pioneering efforts in the Internet market have resulted in a \$100m business that we expect to grow

to a \$2bn business by 2000." Last year MCI took responsibility for running and maintaining the physical infrastructure of the Internet in the US after the government withdrew funding on the grounds that pump-priming was no longer necessary.

new round of consolida-

backbone network, high-speed information superhighway along which Internet data travels, by mid-April, raising the speed of the network from 45m data bits a second to 155m data bits a second.

Mr Cerf said: "The explosive growth of the Internet has led to rush hour traffic conditions for many users. MCI's network expansion is the equivalent of opening a new high-speed highway

the smaller service providers. MCI's Internet users." companies which charge residen-tial and business customers fees The MCI initiative is the first direct challenge to AT&T's move. which resulted in 212,000 customfor Internet connection and on line information services. ers signing up by the time the service went live on March 14.

The moves by AT&T and MCI and British Telecommunications in the UK, which is offering a more expensive access service than its US counterparts to residential customers, are seen as an attempt to exert some control over a phenomenon which threatens to change the economics of the telecoms business.

## Strong D-Mark blamed for 13% fall at Schering

By Judy Dempsey in Berlin

Schering, the German pharmaceuticals group, yesterday announced a 13 per cent fall in profits for 1995, caused largely by the strong D-Mark and growing competition, particularly from Japan.

Net profits fell DM37m from DM285m in 1994 to DM248m (\$167.5m) last year, while sales declined 1 per cent from DM4.69bn to DM4.64bn over the same period.

However, Mr Guiseppe Vita. chairman, said he expected profits to surge 18 per cent this year on a sales increase of 9 per cent. This was in spite of the introduction of a higher tax rate in Germany. Yesterday the shares were up DM2.30 to DM118.30.

Mr Vita said sales for the first two months of this year had risen 6.5 per cent. The launch in Europe of Betaferon, Schering's multiple sclerosis drug which is already available in the US, and the promotion of Ultravist, its contrast media or X-ray product, would boost revenues.

Analysts said forecasts for this year were optimistic. "Schering has been over-optimistic in the past," said Ms Jo Walton, analyst at Lehman Brothers. "Its multiple sclerosis drug will for the first time this year face competition in the US. That could negate some of the growth expected from Europe." she added.

By Bernard Gray

and Tim Burt in London

Mr George Simpson, the chief

executive of Lucas Industries,

was vesterday confirmed as the

new managing director of the

Lord Weinstock, who he

replaces and who has occupied

the position for the past 33

years, will become chairman

emeritus of GEC but will not

remain on the board once Mr

No date has been fixed for Mr

Simpson's move. Lucas said yes-

terday that it expected Mr Simp-

son to remain with the group for

several months and that he was

unlikely to leave before the

antumn. Lucas, which is today

expected to unveil increased

first-half profits of about £60m

(\$92m), compared with £44.5m.

has already begun seeking a suc-

cessor. "We are going through

the normal process of recruit-

Mr Simpson's appointment said

Lord Weinstock's honorary posi-

tion would give the company

"the benefit of his long experi-

ence and profound knowledge of

GEC's statement confirming

ment," it said.

the company".

48.5 + 4.25

175 + 9

20.75 - 2

General Electric Company.

Simpson takes charge.

Schering was particularly vulnerable to last year's sharp currency fluctuations, as exports account for 85 per cent of its total sales. Mr Klaus Pohle, chief financial officer, said the cur rency turbulence cost Schering

more than DM400m in revenue. The US market accounted for 18 per cent of its sales, rising DM34m, or 4 per cent, from DM787m in 1994 to DM821m in 1995. Sales in Europe rose 1 per cent, from DM2bn to DM2.02bn.

Growing competition from Japan and a weak yen dragged down sales in the south-east Asian market, which last year accounted for a quarter of turnover. Sales revenue in the region fell 5 per cent. from DM1.2bn in 1994 to DM1.15bn in 1995. Growing competition from

Japan was also responsible for a 5 per cent decline in diagnostics, one of Schering's four main divisions, and where it is a world market leader. Sales last year accounted for 34 per cent of total revenue, a 2 percentage point fall on the previous year. The withdrawal from the mar-

ket of Isovist 280. a contrast media, cost Schering about DM150m in lost sales.

In AgrEvo, the joint venture agrochemicals group with Hoechst, Mr Pohle said Schering would seek a reduction of DM300m in costs over the next three years. Sales in AgrEvo last year rose 1 per cent to DM3.35bn. Lex, Page 16

ting go after so long must be a

huge emotional wrench, but

Arnold showed his quality by the

way he handled the issue in the

Lord Prior, GEC chairman, is

likely to stay for a further year

or 18 months to help Mr Simpson

settle in before a new chairman

Simpson will nurture a genera-

tion of vounger managers who

have been overshadowed by Lord

Weinstock's dominance of the

company for a third of a century.

skills are seen as crucial in that

regard, while his strong finan-

cial control will help provide

continuity from Lord Weinstock.

make strategic decisions about

the future direction of GEC's

Mr Simpson will also have to

Mr Simpson's team-building

GEC's hope may be that Mr

GEC confirms Simpson

as managing director

board."

takes over.

#### Midlands Electricity. Mr Ian Lang, the trade secretary, yesterday announced he had granted the MMC a two-week extension, to April 4, of the deadline to deliver its reports. Some observers suggested the delay might mean the MMC is considering stringent conditions for National Power and Power-

triggered next month after the

Monopolies and Mergers Commis-

sion delivers reports on the con-

troversial bids by power genera-

tors for two of the largest

suppliers - Southern Electric and

Gen. But the generators' shares rose on the assumption that the bids will be cleared on terms acceptable to them - a move which is expected to prompt bids for other regional electricity supply companies (recs).

A number of the independent recs have argued that they will be at a serious competitive disadvantage if the MMC clears National Power to take over Southern and PowerGen to buy Midlands. Some believe the impact could be so severe they could no longer justify remaining independent. "If the bids go through I will be on the phone immediately asking to join the club." said the head of one independent rec.

In addition to Southern and Midlands, six of the 12 recs have been taken over in the past year. Other potential bidders - including a number of US utilities - are believed to awaiting the MMC verdict before making a move.

Northern Electric and other independent recs have argued before the commission that the proposed takeovers would operate against the public interest. This is not merely because the

bids would represent a significant increase in vertical integration between electricity generation and supply. Vertical integration is already developing because of the government's clearance of Scottish Power's takeover of Manweb and Eastern's expansion into generation. The problem, say the critics, is the combination of increased vertical integration and the two generators' dominant position in the Electricity Pool, the wholesale market in England and Wales. At the behest of the industry

regulator, both companies have agreed to make large disposals of stations to reduce their influence,

## Electricity generators seek tion in the UK electricity sector is expected to be to short circuit suppliers

MCI said it would expand its

local dial-up Internet service to

250 US cities by the summer and

300 cities by the end of the year.

It said it would offer its custom-

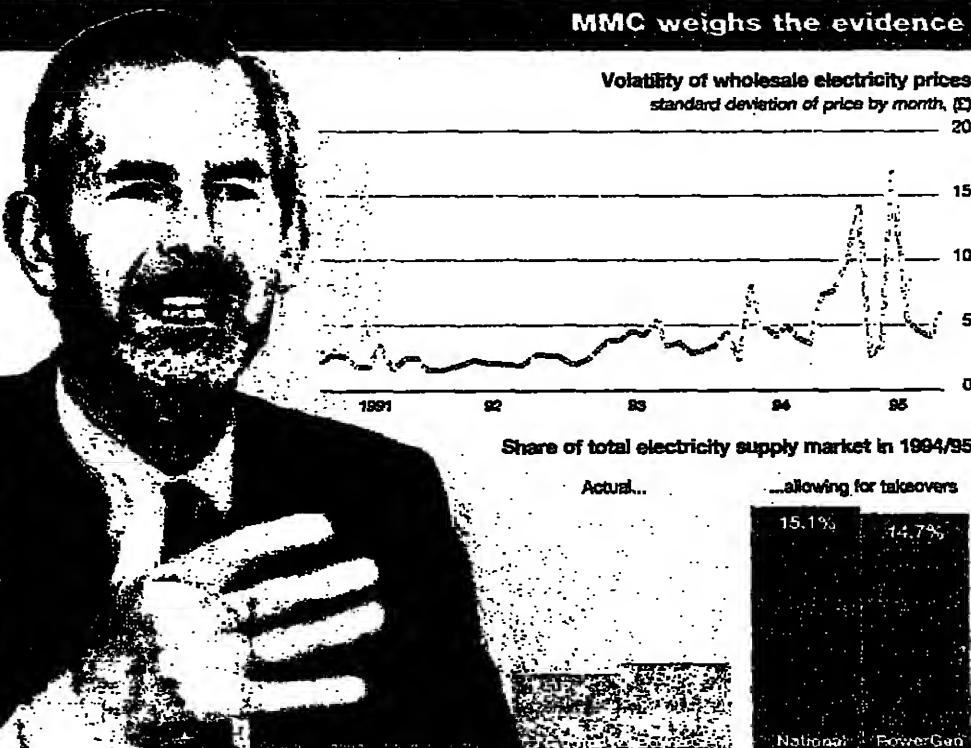
ers a high-speed ISDN Internet

Analysts expect the chief vic-

tims of the Internet wars to be

access service by May.

Independents urge MMC to bar takeovers, David Wighton reports



But analysis by London Economics, a consultancy, suggests they would still set more than 60 per cent of prices. National Power and PowerGen

also dominate the market for "contracts for differences" which provide generators and suppliers with a hedge against fluctuations the price in the Pool Supply businesses offer fixed prices to final consumers and want to buy contracts from generators to lock in their purchase costs.

"Pool price volatility has nearly doubled since the regulator imposed a cap on average prices and with wafer-thin margins supply businesses still have to protect themselves by buying contracts from the generators. says Mr Robin Cohen, a director of London Economics. By acquiring the two recs' sup-

ply businesses. National Power and PowerGen would provide themselves with an increased "natural hedge": high prices are

low prices benefit the supply business. This means they would be able to reduce their sales of contracts to competing suppliers. Indeed, they would want to cut such sales to make rival suppliers' lives more difficult. The generators' supporters

good for generation profits, while

noint out that the takeover would not hugely increase their share of the supply market and would leave them far from completely hedged. The generators' success in the large user market, which has already been opened to competition, gave them a combined 12 per cent of the market last year. Buying the two recs, including their captive domestic supply customers, would have increased that to about 30 per cent.

There are other generators from which suppliers can get cover, even without the new entrants expected over the next few years..

But some of the independent

recs insist the bids would significantly reduce competition in supply and that this in turn would discourage new entrants into generation. In addition, they say that generators could pass on highly priced power to the recs'

domestic customers. Northern's proposed solution is that the generators de required to sell vet more plant if the bids are to be allowed. But few believe that the MMC, under Mr Graeme Odgers, chairman, will reach such a conclusion.

Mr Dieter Helm, director of Oxford Economic Research Associates, says that whatever the problems caused by the generators' dominance of the Pool, they

would only be made marginally worse by allowing the bids. "The independents' big worry is that in 1998 the market will be incredibly competitive." Acquir-

ing the recs would merely make National Power and PowerGen more formidable competitors.

## HK group to float Harvey Nichols

By Peggy Hollinger in London and Louise Lucas in Hong Kong

defence, power engineering and telecoms businesses, and decide the fate of its mixed bag of industrial businesses. Lucas now has the job of finding a new chief executive. "It's a serious blow to Lucas," said one leading institution. "George around the end of April.

Simpson has taken the right steps to improve things, but there is a risk that it could become a bid target before a successor arrives.' Shares in Lucas closed off 1p at 192p, while GEC eased 5p to

One GEC board member paid tribute to Lord Weinstock's generosity in confirming Mr Simpson at yesterday's meeting. "Let-

The Princess of Wales's favourite shop is about to go public, with the announcement yesterday that Harvey Nichols will come to the market this year. Dickson Concepts, the Hong

Kong luxury goods retailer which bought the London store from Burtons in 1991 for £51m (\$78m). is selling 49.9 per cent of its holding through a placing expected Dickson, which has invested a

further £17m in revamping the luxury London retailer, could more than recoup its initial investment with a price tag for the stake expected to be set at between £70m and £80m. This would value the store

between £140m and £160m. The company yesterday

of the sale. However, analysts said Dickson could use the cash to buy a brand to sell through its existing retail outlets, or to clinch a new distribution deal through which existing brands could be sold. Dickson is already a successful luxury goods retailer in south-east Asia, covering brand names including Polo/ Ralph Lauren, and last year notched up pre-tax profits of HKS405m (US\$52.4m) on sales of

HKS3.3bn. Mr Joseph Wan, the chief executive who has presided over a turnround in Harvey Nichols' fortunes since 1991i said the time was ripe to float the store. It was

making "respectable profits" and planning to expand. Flotation would enhance its refused to specify what it ability to finance that expansion planned to do with the proceeds

> although the placing itself would not raise any funds for the group. Mr Wan said that since Dickson Concepts had purchased the store, the business had been transformed from lossmaking to returning profits of £6.6m. Harvey Nichols' operating profit this vear is expected to reach about

"We are forecasting this trend to continue for the next two years," Mr Wan said.

Harvey Nichols is comprised of just one store on the Knightsbridge site it has occupied since 1880. The store, founded in 1813 as a linen retailer, now sells

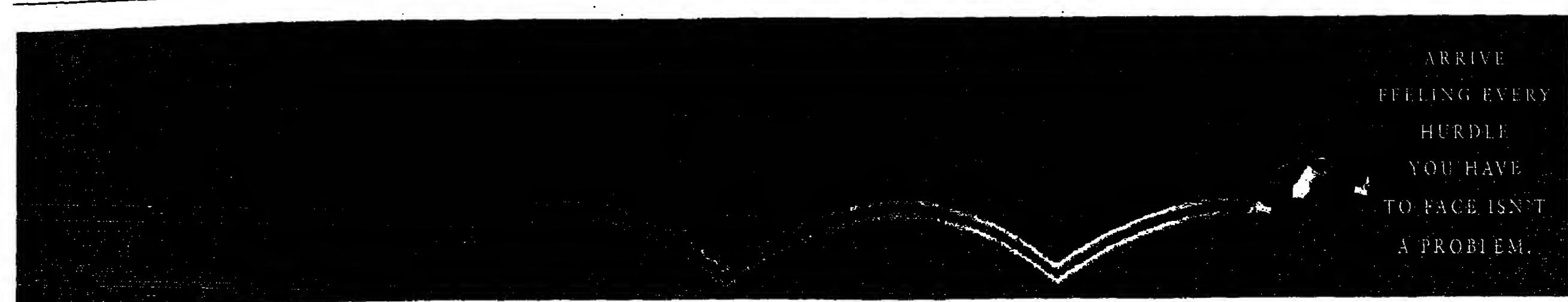
designer clothes, as well as gour-

met food in its food hall and restaurant.

Mr Wan said that the company nlanned to extend the store concept to three or four locations around the UK, as well as developing a restaurant division based on the success of its chic Fifth Floor establishment Mr Wan said expansion plans

also included the creation of a third business distributing international luxury brand names to other UK retailers. This would not only tap into a growing market in the UK, but also help enhance Harvey Nichols' own margins through increased buying power.

Morgan Stanley is sponsor and with James Capel, joint broker, to the flotation. Lex, Page 16



When you fly Delta nothing should get in the way of you relaxing. Our flight attendants recognise whether to leave you alone, to let you sleep or to make time for a friendly chat. A Delta Air Lines When you my seeinger who gets off any of the 500 flights to our home town of Atlanta, the venue of the 1996 Olympics, arrives feeling like they can take on the world.

## Financial operations buoy Tele Danmark

in Copenhagen

(\$612m) last year. Sales and profits before net financial items, however, grew only slowly, with turnover up 5 per cent from DKr17.87bn to DKr18.84bn and operating profits by 3 per cent from DKr4.18bn to DKr4.31bn Net financial items swung a gain last year of DKr1.14bn, reflecting a strong Danish bond market and a reduction in group debt following the big privatisation share issue in

Operating profits were held back last year by a deeper deficit on foreign activities, up from DKr166m to DKr298m; increased agency subsidies for mobile phones, ahead from DKr40m to DKr240m; and falling prices for international

Mobile phones remained the

intensifying competition. The Danish telecommunica-

based voice telephony. But there will be substantial investment and depreciation on Tele Danmark's foreign

year "may improve", the company said. Net income is expected to be down because net financial income will be lowered by heavy investment in foreign operations.

DKr19.6 to DKr26.7. The dividend total will rise to

sen, minister for research, was quoted as saying the govern-ment had no plans for reducing its 51 per cent share in Tele Danmark. The share price closed DKr5 down at DKr329.

work in Poland.

ments of the telecommunica-

tions industry," Mr Ollila said.

with a double-edged problem in

its mobile telephone operations

- its biggest division. It has

run into logistical problems in

managing the rapid growth in

demand in the sector, which

has seen output and staff num-

bers soar. At the same time.

however, fast-expanding com-

petition has led to a sharp fall

in prices and profit margins.

Prices for mobile handsets feli

by up to 40 per cent in the US

last year, and by as much as 25

A top Nokia executive said

last week prices had continued

per cent in Europe and Asia.

Nokia is struggling to cope

problems' By Stefan Wagstyl. Industrial Editor ABB, the large Swedish-Swiss engineering group, yesterday admitted there were "teething problems" with its latest

ABB shrugs

off reports

of turbine

'teething

product. Gas turbines are a core business for ABB, accounting for 30 per cent of its turnover in power engineering, which in turn amounts to about one-third of the group

generation of gas turbines.

but said they were no bigger

have the structure in place to concentrate on the growth seg-

rectification work. ABB was responding to a Swiss newspaper report which said that design and construction faults had emerged in the new turbine, the first of which was

It said the report exaggerated the problems. It added that every new turbine had teething troubles which

Provisions were always set in advance for remedial work and the actual costs had never exceeded provisious.

range called GT24 and GT26, schedule in May.

Grohnde nuclear power station in Germany, Reuter

ny's output - and Borsalino's decline became inexorable. if

## Securities sales put Ems-Chemie ahead

Ems-Chemie, the Swiss specialty chemicals group, has reported a 42 per cent rise in 1995 consolidated net income to SFr204m (\$171.4m), mainly because of a surge in profits from securities sales.

The strong Swiss franc depressed markets, and sharp rises in raw material prices in the first half restrained operating income growth to 4.3 per cent, to SFr137.8m, on sales up 7.8 per cent at SFr923.7m. Net financial income more than doubled to SFr111.8m as the group took advantage of the buoyant Swiss stock market to sell some of its large portfolio of equities.

Mr Christoph Blocher, chairman, said no significant improvement in markets could be expected in the current year, so growth in operating income would depend largely on the stability of the Swiss franc. Financial income was expected to develop positively. Ian Rodger, Zurich

#### ISS hurt by overseas fall

ISS-International Service System, the Danish contract cleaning group with 138,000 employees worldwide, was hit last year by falling sales and profits in the US and Germany, leading to a fall in group net profits from DKr288m to DKr162m (\$28.4m). Overall, sales rose DKr158m to DKr14.39bn. Although there will be no increase in first-half sales and earnings this year, ISS predicted that for the full year it would meet its target of 10 per cent annual growth in sales and 15-20 per cent in earnings per share. Earnings per share slipped from DKr9.81 to DKr7.82 last year, but the dividend will be held unchanged at DKr2.20 a share. Hilary Barnes, Copenhagen

#### Tulip let down by PC weakness

Tulip Computers' market share was under pressure in 1995 due to poor sales of home computers. However, it retained its position in the professional market, the Dutch company said yesterday. Net profit rose to Fl 9.2m (\$5.6m) last year, against FI 7.2m in 1994, on turnover of FI 532m, up from FI 456m.

Some 13 per cent of 1995 sales were generated by PCs made for Unisys of the US, against 8 per cent in 1994. These so-called original equipment manufacture (OEM) products were not included in Tulip's market share, director Mr Franz Hetzenauer said. "Our unit shipments rose 36 per cent in 1995, while the total European market grew 22 per cent. So we must have gained market share," Mr Hetzenauer said. Tulip said it broadly agreed with Dataquest, the market research agency, that it shipped 225,000 computers in 1995. Tulip's higher shipments partly reflected increased OEM products and its expansion in Asia. In China, it sold 8,000 PCs in 1995, its first year of business there.

Tulip said it had had underperformed in the Netherlands while sales elsewhere were stronger. The company had generated 35 per cent of sales in its home market, against 39 per cent in 1994. Although its overall market share in the Netherlands fell to 6 per cent. Tulip remained confident. Reuter, Amsterdam

#### Italy names new exchange head

Mr Francesco Cesarini was yesterday formally elected president of the Italian Stock Exchange Council following the nomination of a new stock exchange board earlier this month. Mr Cesarini, who is chairman of Banca Popolare di Milano, was expected to take over the presidency from Mr Attilio Ventura. He will preside over the stock exchange as it moves towards privatisation and adapts to new European Union rules on the harmonisation of investment services. Mr Attilio

#### By Hilary Barnes from a 1994 loss of DKr260m to turnover up 18 per cent to including the market in line-

COMPANIES AND FINANCE: EUROPE

Strong growth in net financial income helped boost net profits at Tele Danmark, the partlyprivatised telecommunications group, by 38 per cent from DKr2.57bn to DKr3.49bn

fastest growth sector, with

DKrl.74bn, but still only 9 per cent of total turnover. There was a 34 per cent increase in cellular phone sub-

scribers, to 500,000. Revenue from international calls dropped DKr17m to DKr2.98bn as charges were cut. although traffic increased by about 9 per cent. The group said operating profits on its domestic business would increase, although it expects

tions market will be fully liberalised from July 1 this year.

business. Total operating profits this

The board proposed an increase in the dividend on B shares from DKr12 to DKr16 per share, after an increase in earnings per share from

DKr1.07bn from DKr827m. Meanwhile, Mr Frank Jen-

Tele Danmark is a member of a consortium which acquired a 49 per cent share in Belgium's Belgacom in December. It also recently won a licence with Polish partners to establish a GSM cellular net-

than normal for a new operations at a time when the company is struggling to regain its poise. "We shall now

The company denied there were any inherent weaknesses in the new design and said the cost of putting the problems right was well within the provisions set aside for

delivered last year to Jersey Central Light and Power, a US utility.

were normally corrected within a few months.

The company said the Jersey turbine, the first of a new was installed last July and would be handed over on

Other units were due to be delivered soon to customers in Germany and South Korea. • ABB Atom has won a SKr200m (\$29.4m) order to supply nuclear fuel to the

reports from Stockholm. The power station is owned by PreussenElektra and

Gemeinschaftskraftwerk Weser. The first delivery will

## Nokia revamp complete with NKF stake sale

By Hugh Carnegy

in Stockholm

Nokia of Finland yesterday announced the final step in a four-year transformation from sprawling conglomerate to a pure telecommunications group, with the sale of its majority shareholding in NKF, the Dutch cable maker.

The disposal follows a difficult time for Nokia in which problems in its mobile telephone and consumer electronics operations sent profits into reverse in the final four months of 1995 and forced it to warn of another profits setback in the first half of 1996. The company, which until

mid 1995 had experienced three years of rapid profits growth, will be hoping that the disposal of NKF and the planned sale of its loss making television set

By Andrew Hill in Milan

1995.

Telecom Italia, Italy's state-

controlled telephone company.

yesterday proposed a 14 per

cent increase in its ordinary

dividend, on the back of a

strong rise in net profit for

The group, controlled by

Stet, the state telecoms holding

company, confirmed its own

December forecast of a 20 per

cent increase in net profit with

L1.745bn (\$1.1bn) for 1995,

production unit will improve its standing with investors. After becoming one of the world's hottest technology stocks on the back of its spectacular successes in mobile telephony, Nokia's share price

collapsed by 50 per cent after

peaking last September. Nokia's 55 per cent stake in NKF was sold for Fi 200m (\$121.1m) in a deal with ABN Amro Hoare Govett for onward sale to investors. Nokia said it had made a small capital gain on the NKF investment, first made in 1989.

After the planned sale by mid-year of its television production unit in Europe, Nokia will be virtually whollyconcentrated in telecommunications, with its biggest operations in mobile telephony. Only four years ago. when Mr Jorma Ollila, the cur-

1994 and 1995 figures was com-

plicated by the demerger last

July of Telecom Italia Mobile

(TIM), the group's cellular

phone business, along with a

Adjusted to exclude TIM and

the satellite activities, Telecom

per cent increase to L28,288bn,

slightly ahead of expectations,

against L26,212bn in 1994. Pro

forma figures for net profit

were not released, but the

group said operating profit,

excluding TIM, had risen from

Analysts said investors'

attention was likely to be

L4.251bn to L5.112bn.

Italia's turnover showed a 7.9

small satellite operation.



rent chief executive, took over, the group included paper, tyres, metals and electronics, as well as telecoms.

focused on the dividend

increase, "Now [Telecom Italia]

doesn't include a cellular busi-

ness, the long-term top-line

growth is going to be fairly

decent yield," said one.

from L125 to L140.

modest and investors expect a

For 1995, the board is propos-

ing an increase in the dividend

from L105 per ordinary share,

to L120. The dividend on

savings shares will increase

a sharp drop in net debt, to

L14,787bn at December 31

against L18,543bn a year ear-

lier. Labour costs as a propor-

tion of sales were cut from 24.1

Telecom Italia also revealed

The final move to focus exclusively on telecoms will free management to concentrate completely on core to fall this year.

Upbeat Telecom Italia increases dividend 14% political institutions to "play

> tinue improving efficiency and service, as new competitors prepare to challenge the company in its domestic market. Last week, Infostrada - the telecoms joint venture between Olivetti, the computer group, and Bell Atlantic of the US announced plans to enter the market for long-distance tele-

Telecom Italia is under

increasing pressure to con-

per cent to 23 per cent.

phone calls in Italy. Mr Francesco Chirichigno. Telecom Italia's chief executive, said the company was preparing for competition in every field, but he again called on their part" in solving regulatory and tariff problems in time for European liberalisa-Earlier this year, the Italian

government attempted to push through a restructuring of tariffs, which would have brought Telecom Italia into line with European competitors by reducing international call charges and increasing some peak-rate local charges. The move was frozen after complaints from unions and users, and now seems unlikely to be relaunched until well after Italy's April 21 elections.

take place at the end of

## against L1,450bn in 1994. Turnover rose from L29,100bn to Molendi was elected deputy president. Andrew Hill, Milan Direct comparison between

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## Borsalino aims to recapture past glories Italian hat maker has plans for expansion, reports John Simkins

salino, the illustrious Italian hat maker, is that fewer people are buying its products. Mr Giuseppe Petrone, man-

aging director, boasts that: "Other manufacturers produce hats - we make a Borsalino. People don't buy our hats just because they feel hot in sum-mer or cold in winter."

The company was founded in 1857, and its felt hat for men became as much a symbol of Italy as Campari or Gucci. Last year 200,000 were sold but in 1913 the company pro-

duced 2m. However Mr

Petrone, who joined Borsalino

in 1993, intends to restore the company's lustre and give it a sharper marketing edge. This year Borsalino, which has 100 employees at its plant in Alessandria, north-west Italy, will open shops in Moscow, Tokyo and Osaka, and one in Germany, either in Ber-

lin or Hamburg. It will also open Borsalino departments in stores in Paris and Seoul, and hopes next year to have a presence in New York as well as another shop in Europe. Borsalino exports 65 per cent

of its hats and estimates that one fifth of its buyers are Orthodox Jews. Previously it has relied on sales abroad through 300 client-shops, and

Formerly Borsalino would never have made a cloth cap, but now it produces about 20 different styles

the decision to open its own outlets is a turning-point. "Until now people came to us, but now we must go to them to promote our idea of the 1990s Borsalino," says Mr Petrone. "The hat world has remained old, and producers have not stimulated demand." The more aggressive women's and youth markets, seen as Borsalino's growth areas, as well as men's hats.

Within Italy, where the company has 400 client-shops, it has refurbished its own two shops in Milan and added a third there in prestigious Via Spiga. Besides a shop in its home town it has also opened outlets in Florence and Asti, near Alessandria.

Turnover rose from L14bn in 1994 to L18bn (\$11.5m) last year and 1996 sales are expected to total L21bn The Marenco and Gallo fami-

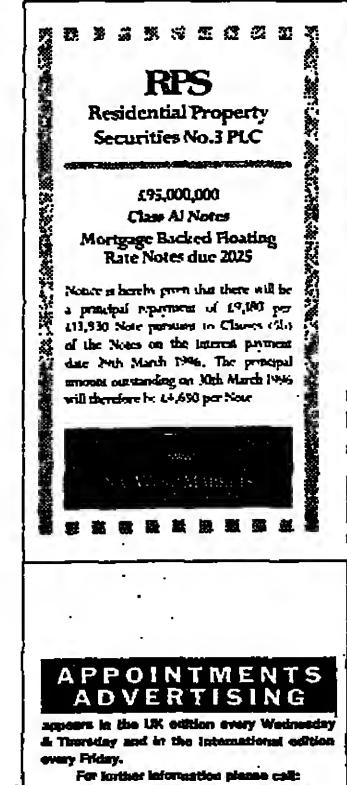
lies of Asti, which took over Borsalino in 1993 with a 96 per cent stake and brought in Mr Petrone, intend to invest L10bn in the business in the next three years. The remaining 4 per cent of the equity is held by a descendant of the founder. Giuseppe Borsalino, whose son Teresio in his turn managed

the company until 1930. After the second world war, however, it ceased to be virtually compulsory for men to wear hats - men's hats comstately. The cachet given by famous

Borsalino wearers such as Ronald Reagan and Mikhail Gorbachev and the 1970s film Borsalino, starring Alain Delon and Jean-Paul Belmondo. proved insufficient to revive

orsalino is adding to its accessories made under Licence and extending a large range of hats which include its Montecristi Panama made from Ecuadorean straw. Previously. Borsalino would never have made a cloth cap, but now it produces about 20 different styles in 40 colours. However, the company intends to remain at the top end of the

market - its most expensive felt hats cost about 1,500,000. Nor does Mr Petrone, whose wife Dominique is a designer, see any need with such a handmade product to update machinery, which in some cases dates back to the turn of



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than half its sales, and fungi-

cides for a further 27 per cent.

world market, Novartis will be

in a position to pare back its

marketing and production

costs and spread its R&D bud-

This puts it in a highly desir-

After Novartis, the next larg-

est competitor is AgrEvo, the

Hoechst-Schering joint ven-

ture, with a market share of

just 2.7 per cent: and the top 10

producers together only

account for 26.1 per cent of

more consolidation in this sec-

tor," says Mr Woodburn, who

suggests that "the market can-

not support more than 10 large

Mr Jurgen Dormann, chair-

man of Hoechst, agrees: "There

are lessons for all of us, in

agrochemicals as well as in

pharmaceuticals, in the move

by Ciba and Sandoz," he says.

"You can expect changes at

AgrEvo to reflect that."

"There is going to be a lot

able position among agro-

chemicals producers.

world sales.

companies".

get over a broader sales base.

But, with 5 per cent of the

#### COMPANIES AND FINANCE: EUROPE

## Quest for faster growth in a stagnating market

The Ciba-Sandoz alliance in agrochemicals reflects an urgent need for consolidation, reports Jenny Luesby

iba and Sandoz have created the largest agrochemicals producer in the world in forming drugs group Novartis, reflecting an urgent need for consolidation in the £55bn (\$84bn) market.

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As farmers turn away from agrochemicals towards "integrated" crop protection, based on resistant seed strains, crop rotation and the selective use of environmentally-friendlier chemicals, the sector is stagnating.

Ciba, already the world's largest maker of agrochemicals, last year said it saw "no hope" of a take-off in the agrochemicals market. This year, giobal agrochemical sales are expected to grow by just 1 per cent, despite a rise in farm

Meanwhile, environmental concerns have brought additional costs for producers in the form of stringent registration procedures. In the UK, the British Agrochemicals Association estimates the latest rules have increased the cost of product registration nine-fold.

In Germany, BASF calculates that the new registration system, which applies to existing as well as new products, requires a dossier of up to 60,000 pages or 250kg, at a cost of up to three man-years and

500,000 Ecu (\$400,000). These costs have led to the withdrawal of some agrochemicals, useful only for small crops, such as fruit and vegetables, and concentrated development on the markets with the highest potential, such as cereals, cotton and rice,

Novartis's product range reflects this. Eight of its 16 best-selling herbicides are for maize and a further three are for cereals, as are six of its 10 leading fungicides. But large-crop products are

even satisfactory profits. The strategic question for chemical companies is how to transform their agrochemical operations to meet farmers' continuing need for crop protection. The first move by many was

into the seed industry, where it

was hoped biotechnology

would provide a new route to disease and insect-resistant crops. But a seed company shopping spree 10 years ago has been slow to deliver, leavno guarantee of growth, or ing chemical companies carrying low-margin businesses where each season's demand is

> determined by the previous harvest. For Zeneca, the pain was too great. Last month it spun off its seeds business. while retaining its seeds

Novartis remains committed

research arm.

to a high-tech seeds operation. But agrochemicals also have a role in integrated crop protection, says Mr Axel Rienitz of Ciba's crop protection busi-

to help farmers target their applications.

A new form of the herbicide

Extensive environmental tests are carried out in the laboratory

The challenge is to reduce residues, by developing compounds that break down quickly after use, concentrated chemicals that can be used selectively, and diagnostic kits.

metachlor and the fungicide metalaxyl, unveiled by Ciba last week, is as effective as the old products, but at application rates 38 to 50 per cent lower.

The commercial logic of reducing use rates rests on the consequent increase in market share, says Mr Rienitz. Farmers, under pressure from retailers and consumers to reduce residues, will switch to low-use products. "It's a question of politics," he says.

But innovating from a base of elderly products is expensive. Agrochemical producers already spend between 20 and 22 per cent of their sales revenue on marketing. R&D accounts for a further 10 to 12 per cent - a similar ratio to the drugs industry, but without the returns.

Hence the need for consolidation, says Mr Allan Woodburn, an agrochemicals constitant.

The Ciba-Sandoz alliance has brought little product overlap. The new agrochemicals company will specialise in cereals, soybeans and cotton. Herbicides will account for more **NEWS DIGEST** 

## Hydro-power groups eye Hafslund arm

Hafslund Nycomed, the Norwegian pharmaceuticals and energy group, said yesterday it had received a NKr4.1bn (\$638m) offer to buy its hydro-power division from a group of Norwegian hydro-power generators. However, it deferred a decision on the bid until after a planned demerger of its own operations. Last year, Hasslund Nycomed shareholders

rejected a planned \$3.25bn merger with Ivax of the US. A group of eight Norwegian power companies, all owned by different local authorities, made the offer to buy Hafslund's 10 hydro-power plants and its distribution network. Hafslund produces about 4 per cent of Norway's electricity output - but three of its 10 plants are in the US.

However, the Hafslund Nycomed board said it planned to proceed with plans to spin off its energy operations, which trade under the name Haislund, to its shareholders in May. The move, if approved by shareholders, will give one share each in the separated pharmaceuticals and energy companies

for every four held in Hafslund Nycomed. The board said it would be up to the newly-formed Hafslund to decide whether to accept the bid after the demerger took place. The group currently has a market capitalisation of NKr18bn. Hugh Carnegy, Stockholm

#### Böhler sell-off well received

Austrian investors have snapped up privatisation shares in high-grade steelmaker Böhler-Uddeholm, lead managers Creditanstalt Investment Bank said vesterday. "In the first week we have sold 65-70 per cent of the domestic tranche," the bank said. OIAG, the Austrian state holding company, is offering 3m ordinary shares in the second stage of Böhler's privatisation. Of the total, 40 per cent will be placed on the Vienna stock exchange. Creditanstalt said the sale of shares to foreign investors would begin this week. The OIAG has said a further 600,000 shares may be added if the offer is oversubscribed. Reuter, Vienno

#### Genoa to privatise utility

The Italian city of Genoa is set to become the country's first municipality to privatise its gas and water utility. The decision is part of a trend in Italy to give municipalities greater control over their finances. In the past year, Naples and Rome have obtained credit ratings in anticipation of legislative changes that will allow local authorities to issue debt in the public markets.

Paribas, the French bank, has been appointed to advise Genoa on the stock market flotation of Azienda Mediterranea Gas e Acqua di Genova (Amga), which last year made a profit of L23bn (\$14.7m) on turnover of L261bn. Paribas said it was too early to give any market valuations of Amga.

Antonia Sharpe



By Cordella Becker

German and Austrian banks are showing growing interest in the former Yugoslavia. Following the lifting of United Nations economic sanctions against the war-divided country last year, the banks' Croatian business is expanding rapidly. Now they are planning to set up in Bosnia-Herzegovina and Serbia.

"In January, we were in Belgrade for our first meetings," says Mr Gerd Weyers, of the Düsseldorf-based Westdeutsche Landesbank. Before the war, WestLB worked closely with several banks in Serbia and Bosnia-Herzegovina, and was also present in Belgrade.

For WestLB. Serbia is a promising market. It is fairly big and expected to recover quickly, as the dinar's depreciation is fuelling growth in exports. This growth is crucial to the Serbian economy's prospects. WestLB plans a moderate credit line to finance exports. The bank is also watching other markets: Bosnia-Herzegovina is interesting because of the international aid it is attracting, but it has also been badly damaged, Mr Weyers

He said WestLB's most important business would be short-term credit

lines with maturities of up to one year. Longer credit lines would only be awarded where there is a government-backed guarantee. The bank refused to finance infrastructure projects, as these remained too risky and should be dealt with by multilateral lending organisations such as the

WestLB's short-term Croatian credit business was running smoothly, Mr Weyers said, even during the military campaign in the Krajina region. "The £13.02m (\$19.8m) we lent in 1994 was all payed back on time," Mr Weyers

World Bank, Mr Weyers said.

Deutsche Bank in Frankfurt also

cites the Croatians as reliable debtors. However, it is more cautious about business in Serbia and Bosnia-Herzegovina, preferring to wait until the peace proves permanent and the new governments are prepared to give

Bayerische Landesbank in Munich is optimistic about business in Croatia, largely because of the potential for tourism. In recent years, it provided short-term credits to the Balkans with a repayment period of six months.

The Raiffeisenzentralbank Austria in Zagreb is the only western bank operating in Croatia. It received a

Croatian licence in December 1994 and started business a month later. "The lack of kuna, the local currency, is the biggest problem. "Short liquidity prevents deals."

said Mrs Renate Kattinger, vice-president of RZB Austria. The currency emerged with Croatia's declaration of independence. Supply is tight because the government wants to avoid inflation, and the use of other currencies is restricted by law.

Most of RZB's 60 employees in Zagreb are Croatians. This year, it plans to set up an investment bank and a leasing company, as well as retail operations.

ALLIANCE INTERNATIONAL HEALTH CARE FUND Société d'Investissement à Capital Variable

35, boulevard Prince Henri, L-1724 Luxembourg R.C. Luxembourg B 25 105 NOTICE OF MEETING

We have the pleasure of inviting you to attend the Annual General Meeting of shareholders, which will be held on Wednesday, March 27, 1996 at 2:30 p.m. at the offices of Alliance International Fund Services S.A., 35, boulevard Prince Harri, L-1724 Luxembourg, with the following agenda:

1. To hear the annual report incorporating the auditors' report and to approve the audited financial statements of the Fund for the fiscal year ended

 To discharge the Directors and the Auditors with respect to the performance of their duties during the fiscal year ending November 30, 1995.
 To elect the following eight persons as Directors, each to hold office until the next Annual General Meeting of Shareholders and until his or its successor is duly elected and qualified:

R.D. Smart, C.B.E. J. Kent Blair, Jr. John D. Carlla S.M. Davies David H. Dievier Edward J. Ledder Yves Prussen

4. To appoint Ernet & Young, Luxembourg as independent auditors of the Fund for the fiscal year ending November 30, 1996. 5. To transact such other business as may properly come before the meeting. Only shareholders of record on March 15, 1996 are entitled to notice of, and to vote at, the Annual General Meeting of Shareholders and at any adjournments

Should you not be able to attend the meeting in person, please return your proxy before March 22, 1996 by fax and by airmail to:

State Street Bank Luxembourg S.A. 47 Soulevard Royal L. 2449 Luxembourg Fax number +352 484014 Tel. number +352 464010/255 to the attention of Petra Ries, to assure that a quorum will be present at the

By order of the Board of Directors

AB Svensk Exportkredit (Swedish Export Credit Corporation) (Incorporated in The Kingdom of Sweden with limited Hability) SKR 500,000,000 Inverse Floating Rate Notes due 1998 For the Interest Period from the 18th March, 1996 to the 17th September. 1996 the Notes will carry a Rare of Interest of 5.84% per annum.
The Coupon Amount per SKR 10,000
Note will be SKR 584.00, per SKR 100,000 Note will be SKR 5.840.00 payable on 17th September, 1996. Listed on the Leatenboorg and Stockholm Stock Exchanges Bankers Trust Company, London Agent Bank

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Mortgage Backed Floating Rate Notes due December 2018 For the Interest Period from March 15. 1996 to June 17. 1996 the Note Rate has been determined at 6.5375% per annum. The interest payable on the relevant interest payment date, June 17, 1996 will be £472,42 per £28,136.49 nominal amount. Sv: The Chase Manhattan Book, N.A. London, Agent Bank

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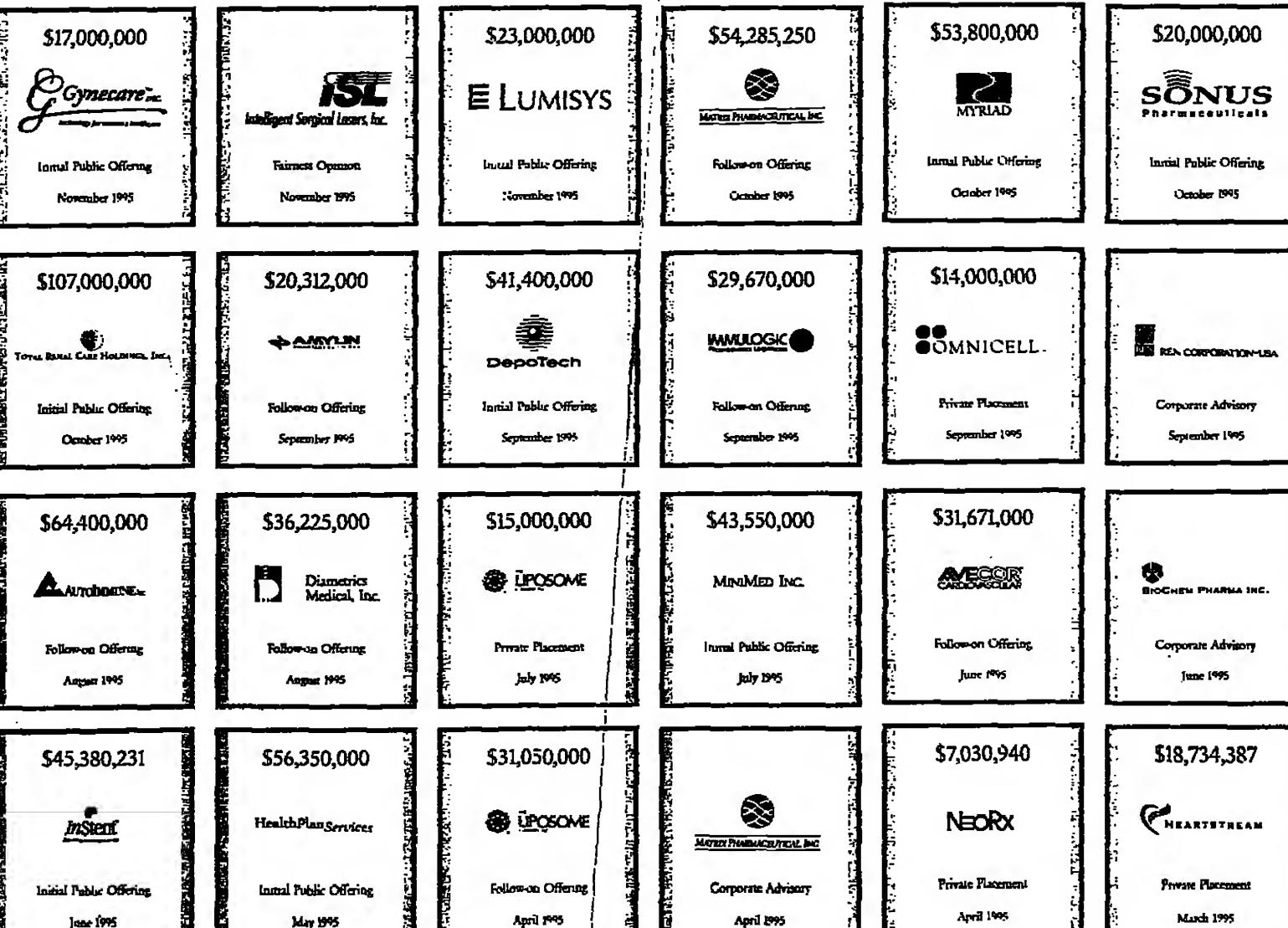
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MCI joint venture

boosted by BT buy

MCI, the second largest US long-distance carrier, and British

joint venture. Concert, to New Zealand. The UK company

operator. MCI already holds a similar stake in Clear. BT

yesterday announced it had acquired a 25 per cent stake in

Telecommunications are hoping to extend the services of their

Clear Communications, New Zealand's second largest telecoms

## Store's cachet expected to lift interest in Saks IPO

GM looks to build on the stellar success of Saturn

By Richard Tomkins in New York

Saks Fifth Avenue may be one of the most powerful names in US retailing, but a prospectus for the planned share offering by Saks Holdings, the department store chain's parent, shows this has not prevented the group racking up losses totalling \$600m over the last five years.

Even so, after the highly successful stock market flotation of the similarly fashionable Gucci on the New York Stock Exchange last year, Wall Street is expecting the cachet associated with the Saks Fifth Avenue name to generate a similar degree of excitement over Saks's planned \$300m offering. Like Gucci, Saks is being spun off by Investcorp, the Bahrain-based investment group that bought the department store group from BAT Industries of the UK for \$1.6bn in 1990. BAT sold it to fend off a hostile bid by Sir James

descended on rural

Tennessee to celebrate the 10th

anniversary of the project in

1994, General Motors realised it

had beaten its own hype in

creating "a different kind of

company; a different kind of

This, after all, was not an

gathering of clubby gentlemen

in their Bentleys and Ferraris.

Neither exotic nor vintage,

GM's Tennessee-based Saturn

car division produces three

unobtrusive and inexpensive

models that drive acceptably

but hardly set the pulse racing.

ated in the mid-1980s in a

last-ditch stand to win back

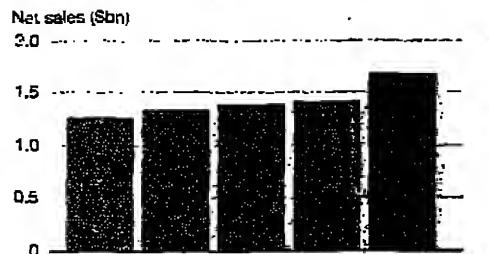
sales from the Japanese, has

exceeded GM's wildest dreams.

The company produced 302,000

In sales terms, Saturn, cre-





market department store

gamo, Calvin Klein and Ralph Lauren. The company has 40 Saks Fifth Avenue department smaller department stores in offering end-of-line merchandise, and a catalogue operation called Folio.

In spite of the company's size, the flagship Saks Fifth Avenue store in New York accounts for 22 per cent of total revenues. Saks's preliminary filing with the Securities and Exchange Commission shows that Investcorp has done a good job in increasing the company's sales. Revenues have risen each year over the last five years, and in the latest period to February 3, they were up by 19 per cent to

However, the prospectus also shows that the company's heavy debt burden - amounting to \$976m at February 3 has been a big factor in preventing Saks from turning in an annual profit at any stage since investcorp bought

In the latest period. Saks made net losses of \$64.1m, up from \$10.6m the year before.

Saks wants to use the proceeds of its stock offering to pay off some of its debt and assist a return to profitability. A flotation will also help fund the company's continuing expansion: it plans to open three new department stores

the next three years. Significantly, however, the company's biggest area of expansion is its Off 5th division, which is expected to double in size with the opening of 21 new stores by the end of the next fiscal year. One effect will be to increase the company's exposure to more budget-

and four new resort stores over

conscious customers. Saks says the Off 5th chain provides attractive financial returns and is an economically superior form of inventory liq-But the strategy risks prompting anxiety among would-be investors: Saks may look a lot less like a potential Gucci if it is determinedly taking itself

downmarket.

purchased its stake for an undisclosed sum from Bell Canada. The other shareholders in Clear are Television New Zealand and Todd Corporation. Mr John Ede, Clear chairman, said: "Clear Communications will benefit from BT's global experience and technical expertise and the already well established relationship between BT and MCI and the Concert joint venture." Concert is a "global supercarrier" offering seamless voice and data transmission services to large international customers.

**NEWS DIGEST** 

The move represents a strengthening of BT's presence in the Asia-Pacific region, where it is weak compared with Europe or the US.

Clear began private network services in New Zealand in January 1991, national toll services in May 1991 and international operations in December of the same year. In the financial year 1994-95, it made a profit of NZ\$29m (US\$20.3m) on turnover of NZ\$240m. Alan Cane, London

Knight Ridder in cable sale

Knight Ridder, the US media group, is to sell its interests in jointly owned cable TV properties to its partner, Tele-Communications Inc (TCI), for up to \$420m. The sale, part of a wider consolidation in the cable industry, strengthens TCI's position as the biggest US cable operator. The sale comprises a half-interest in TKR Cable, which

operates in New York and New Jersey, and 15 per cent of a larger network in the southern US. TCI has the choice of paying either \$280m cash plus \$120m in stock, totalling \$400m, or a \$420m package of \$140m cash, \$140m stock and \$140m in further stock not tradeable for two years.

Knight Ridder said the value of its cable interests had not been fully reflected in its stock price. It would use the cash to accelerate its stock buy-back programme, and for small or modest-sized acquisitions in newspapers and business Tony Jackson, New York information.

#### Templeton in Venezuelan move

A 4.45 per cent share in Electricidad de Caracas, the Venezuelan utility, has been bought by the Hong Kong-based fund manager Templeton International for Bs19.55bn (\$67.5m). The share package, offered by the state deposit guarantee fund, Fogade, was bought up the Venezuelan bank Bancaracas on behalf of Templeton.

The sale of the stake comes after Electricidad de Caracas announced a substantial cut in its capital investment for 1996. A recent request by electricity companies to raise their rates was not granted, despite last year's inflation of 56 per cent and an increase in costs of 40 per cent since the beginning of 1996. Raymond Colitt. Caracas

#### Perez to sell oil services arm

Perez Companc, Argentina's diversified energy holding company, yesterday said it was selling its oil services division. Quitral, to Houston-based Pride Petroleum Services for about

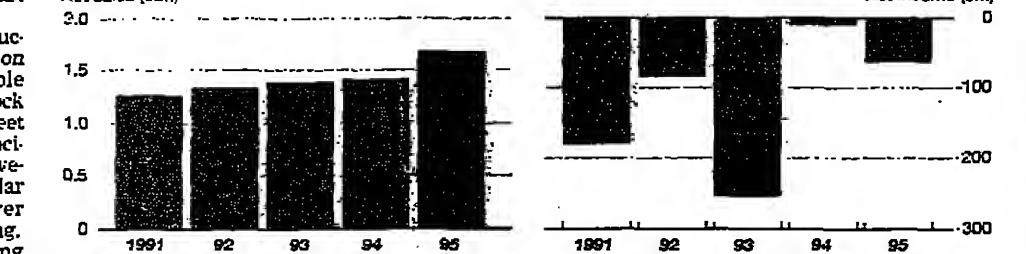
The Argentine company owns 72.45 per cent of Quitral, which provides drilling, well-head and other technical services. Perez said it was discussing the sale, which should be completed by June, with holders of the remaining shares, including local hydrocarbons group Astra.

Mr Frank McGann, vice-president at Merrill Lynch in Buenos Aires, said sale of the unit would have "little strategic significance" since there were many oil services groups to which Perez could contract out such work. David Pilling, Buenos Aires

#### Bre-X Minerals seeks partner

Bre-X Minerals, the Calgary-based exploration group, intends to seek a partner later this year to help develop the potentially large Busang gold deposit in Indonesia. Mr David Walsh, chief executive, said that Bre-X, which has a 90 per cent stake in Busang, planned to sell up to 25 per cent of the property to a group capable in "size and stature" of bringing the deposit into production. The partner would also operate the mine, which is expected to enter production around the turn of the century.

Bre-X suggested the deposit might be much bigger than the current estimate of 30m oz. Only about a quarter of the Busang property, which is part of an extensive "gold belt" stretching across the island of Kalimantan, has so far been Bernard Simon, Toronto explored.



Goldsmith, the Anglo-French Saks is one of the most up-

groups in the US. Its main

cars last year - almost 6 per

cent more than in 1994 - and

in line with a steady rise since

The danger now is that Sat-

urn could become a victim of

its own success. The company

ity at its \$1.9bn greenfield

has virtually exhausted capac-

Spring Hill plant. "We're very

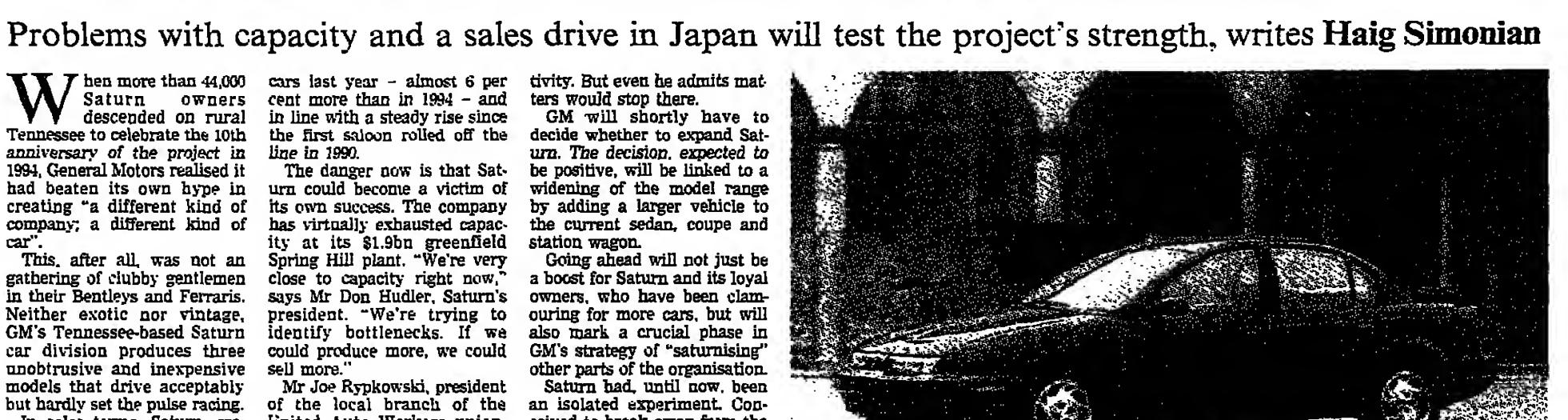
close to capacity right now,"

says Mr Don Hudler, Saturn's

line in 1990.

sell more.

stores are best known for their ranges of designer clothing and accessories, selling goods made by Gucci and other well-known stores across the US, five names such as Chanel Ferra-



A Saturn SL2: sales of the range have exceeded GM's wildest dreams

**BUSINESSES FOR SALE** 

THIRD CALL FOR TENDERS FOR THE SALE OF THE ASSETS OF

"S.A. D'INDUSTRIE AGRICOLE" OF KALAMATA, GREECE "ETHNIK! KEPHALEOU SA Administration of Assets and Liabilities", of 98 Chryssosphotisses St., Athens, Greece, in its capacity as Liquidator of S.A. D'INDUSTRIE AGRICOLE" a company having its registered office in Kalamata, Groece (the "Company"), presently under special inquidation according to the provisions of article 46a of Law 1892/1990 by virtuo of Decisions No 269/1934 and 463/1994 of the National Court of Appeal, upon the instructions of the creditors representing more than 51% of the claims

announces a third call for tenders

for the sale of any one or more of the assets described below, each one of which is being sold BRIEF INFORMATION The company was established in 1973. On 21 4.94 the Company was placed under special

liquidation according to the provisions of article 46a of Law 1892/90, upon application by the National Bank of Greece SA and the Credit Bank SA in their capacity as creditors representing over 51% of the daims against the Company. Its activities included the production of alcohol (pure and industrial), grape must, kernel at and olive kernel at milling GROUP OF ASSETS OFFERED FOR SALE

A plot of land (formerly a distillery/windry) at "Potamia or Kossyla", in the Kalamata city plan area (Artemis and Koumoundourou Streets), consisting of three separate sections. The total area of the 3 sections amounts to approximately 11,827 sq. m., of which 1,600 sq m are to be street aligned on the basis of the authorised city plan. This contains buildings, the surface of which amounts to approximately 3,834 sq. m., wine lanks and machinery. The company's trade name is included in this group of

Winery at "Porrogolyra" in the Community of Thouna. Messaria, standing on a plot of fand equal to 3,670 sq. m. and containing buildings, the surface of which amounts to 200 sq. m. a cement tank, the volume of which equals to 2,000 c.m. and old machinery (2nd Auction) Agricultural plot of land (by the see) covering approximately 3,420 sq. m. (which used to serve as a winery) at "Bouka" in the Community of N. Korom, Mossima. This is wrongfully possessed by third parties, against which legal proceedings are pending

A plot of land (including old buildings, which used to serve as an ice-making/cold storage unit) at "Analogue of Tabaluka", Kalamata, covering 678 sq. m. divided into two sections, one on the east equal to 181 4 sq. m. and one on the west count to 436.60

OFFERING MEMORANDUM - FURTHER INFORMATION interested parties may obtain a copy of the Offgring Memorandum in respect of the Company and its assets upon signing a Confidentiality Agreement.

TERMS AND CONDITIONS OF THE AUCTION The Auction small take place in accordance with the provisions of article 46a of Law 1692 30 135 supplemented by art. 14 of L.2000/91 and subsequently amended) and the James and conditions set forth herest as well as the "Terms and Conditions of Sale" contained in the Olfering Memorandum, Such provisions and other terms and conditions shall apply irrespective of whother they are meritaried herein or not Submission of binding offers shall mean acceptance of such provisions and other

Binding Offers: Interested panies are hereby invited to submit binding offers, not later than Thursday, April 18th, 1995, 12 00 hours, to the Kalamata Notary Public Mr. Panamers Doumendaks, 10 Vassilisais Syfas St. 241 00 Halamata, Tel. +30-721-87526 Flease note that on Tuesday April 15th only offers should be submitted to the Kalamata Noting Public Mrs. Polivers Françou. 67, Austramenous St. 24100 Kalamata. Tel +30-721-85123

Offers should expressly state the offered price and the detailed terms of payment (in

each or instalments, mentioning the number of instalments, the dates thereof and the proposed armual interest rate if any). In the event of hat specifying at the way of payment, by whether the credited amount shall bear interest and it the interest rate, then it shall respectively be deemed that a) the offered price is payable upon execution of the sale contract, by the amount credited shall been no interest and c) the interest tate shall be the legal rate from time to time in force. In all cases where the credited amount boars intorest, this shall be calculated in relation to the outstanding amount and shall be physicia on the dates of payment of each transiment. Should one wish to submit of one or more groups of assets, those should be submitted separately. Binding offers submitted later than the above date shall be neither accepted nor considered. The offers shall be binding until the adjudication. Submission of offers in favour of third parties to be nominated at a later stage shall be accepted under the condition that enpress mention is made in this respect upon submission and that the effects shall give a personal guarantue in favour of such third party, for the compliance of the obligations deriving from the sale contract. Letters of Guarantee Sinding offers must be accompared by a Letter of Guarantee

assued in accordance with the sample Letter of Guarantee contained in the Offering Momorandum by a bank legally operating in Grocco, to remain valid until the adjudication. The Letters of Guarantee must be for the following amounts: (151 Auction) DRS. SIXTY MILLION (60,000,000.-) (2nd Auction) DRS FIVE MICLION (5.000,000 -) 13rd Auction) DRS TWO MILLION (2,000,000 -) (4th Audison) DRS THREE MILLION FIVE MUNDRED 13.500,000 -1

The Lotters of Guarantee shall be returned after the adjudication <u>Submissions</u>. Binding offers together with the Letter of Guarantee shell be submitted in sealed opaque envelopes. Submissions shall be made in person or through a duly

Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in his office, on <u>Thursday, April 18th, 1996, 14.00 hours.</u> Any party having duly submitted a binding offer shall be entitled to afferd and sign the deed, attenting the unsealing of the binding offers As highest bidder for each group of assets shall be considered the participant whose offer will be judged, by creditors representing over 51% of the claims against the Company line "Creditors", upon suggestion by the Liquidator, to be in the bear

interests of all of the creditors of the Company. For the purposes of evaluation, an offer to be paid in instalments shall be assessed on the basis of its present value, to be calculated by employing a 19% annual discount rate, compounded yearly The Liquidater shall give where notice to the highest bidder to appear on the date and place menhaned theiren and precule the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms, which may be suggested by the Creditors and agreed upon in the event of the highest brider not complying with such obligation, the Letter of Guarantee shall be forleded as a penalty. Adjudication shall be deemed to take offect upon execution of the contribut of sale. All costs and gupensos of any nature in respect of the ptaticipation in the Auction and the transfer of the assets offered hereby for sale shall be exclusively beine by the

The Liquidator and the Creditors shall have no liability nor obligation whatsoever lowards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatpoover in connection with the proceedings of the Auction. The Liquidator or the Creditors shall have no Rability for any legal or actual detects of the assets. Submission of binding offers shall not create any right for the adjustication nor the participants shall acquire any right, power or claim from this Call and/or their participation in the Auction against the Liquidator and/or the Greditors for any reason

10 This Call has been dirafted in Greek and translated into English. In any event, the Groek version shall prevail To obtain the Offering Memoranda and for any further information please contact the Liquidator of the Company: "ETHNIKI KEPHALEOUS A Administration of Assets and Liabilities", address; 9a Chryssospiliotissis Street, 105 60 Athens. Greece. Tel: +30-1-323.14 84, Fax: +30-1-321.79 05 (Oltertion of Mrs. Mariku Françoias). ters would stop there. GM will shortly have to

the first saloon rolled off the decide whether to expand Saturn. The decision, expected to be positive, will be linked to a widening of the model range by adding a larger vehicle to the current sedan, coupe and station wagon. Going ahead will not just be

ouring for more cars, but will president. "We're trying to identify bottlenecks. If we also mark a crucial phase in GM's strategy of "saturnising" could produce more, we could other parts of the organisation. Saturn had, until now, been Mr Joe Rypkowski, president of the local branch of the an isolated experiment. Con-United Auto Workers union, ceived to break away from the reckons output could rise from high wages and restrictive labour practices of Detroit, it this year's target of 310.000 cars to between 330,000 and marked a joint effort by unions 340,000 by eliminating bottleand management to manufacture vehicles at competitive necks and improving producprices to the Japanese in an

> unionised. Saturn's workers, almost all transferred from traditional GM plants, accepted a 10 per cent wage cut as part of the intricate "memorandum of agreement":between their representatives and management. In return for more flexible working, GM agreed to a more Japanese style of management, blurring demarcations between workers and bosses and opening the door to collective deci-

environment that remained

sion-making. The experiment has worked. Although Saturn's financial results are buried in GM's group accounts, it is believed to have turned its first profit last year, triggering a staggered \$10,000 bonus to each of its 8,000 workers. Its cars, meanwhile, have won plaudits for customer satisfaction in independent surveys, helping to explain the extraordinary

loyalty around the brand. That loyality has been nurtured - created, say some - by Saturn's sales techniques. All

Saturn dealerships conform to a standard design. "We want to make this the best retail experience you ever have," says Mr Saturn's main ploy has been

fixed prices. Unlike traditional dealers, haggling is not on the agenda. "People are guests in our retail facilities," says Mr Hudler. "We're there to help them buy a car, not pushing to sell. Rather than haggling, people say they want a fair price." The pitch has been so good GM is to trying to introduce it elsewhere. It is starting with Oldsmobile, a traditional brand now realigning itself towards much the same type of vounger, higher income and better educated owner who has taken to Saturn. Apart from fixed-prices, new Oldsmobile dealerships will be expected to

conform to a standard layout. But it is arguably the "saturnisation" of GM's factories which will have the most far-reaching consequences. The new, bigger Saturn, being developed in Germany by a team of engineers from both sides of the Atlantic, will be

General Motors Corporation

Further to the DIVIDEND DECLARATION 16th February 1996. Notice is now given that

the following distribution will become

payable on or after 20th March 1996 against

presentation to the Depositary (as below) of

Claim Forms listing Bearer Depositary

8.30 CENTS

1.70 CENTS

LI093 Peace Per Lait

Gross Distribution Per Unit 200 CENTS

BUSS Depository Services, S Angel Court

Yen 10.000.000.000

Marubeni International

Finance plc

Euro Yen Guaranteed Notes due 1998

For the period from March 19, 1996

to September 19, 1996, the Notes will carry

an interest rate of 1.14063% per annum

Less 15 v

L'S Withhelding Tax

Converted at L5325

Berchy Bank Plu

London ECER.MP

based on GM's Vectra midsized saloon. Mr Louis Hughes, head of GM's international operations, says it could be out within two years. "The concept is advanced but it has to be tested." he says.

blow to the Tennessee workforce, the new model is likely believe firmly that the Saturn concept can be put into Canada and Taiwan. another location." says Mr Jack Smith, GM's chairman. "What we don't want to do is to put a huge expense at Saturn because we carry a huge amount of plant which will become redundant." He admits not every plant

would be suitable. The choice will depend on "the right attitudes" locally. However, "there are plenty of places where that could be done", he says. The decision will come fairly

soon, according to Mr Smith. "It's under major study right now. We're close to a decision."

Some suggest GM will choose a plant in Delaware, which has opted for more flexi-

ble working practices. Wherever the choice, the outlook for Saturn looks rosy. US sales should continue to climb as more dealerships are added. The present 324-dealer network is still predominantly urban However, in what will be a and should reach 370 by the end of the year. Turnover could also be boosted by sellto be built elsewhere. "We ing more cars abroad; exports at present are limited to

ut the company's biggest challenge is still a year ahead. In early 1997. Saturn will start exporting to Japan. The exacting Japanese market will provide the ultimate test, says Mr Hudler. Japan has a special signifi-

cance for the group, which was created to prove the resilience of the US motor industry against imports. Learning to trade in the very demanding Japanese market will make us more competitive in the US." says Mr Hudler. "Selling to Japan will also make a statement about Saturn's quality and GM's commitment to international markets."

### Polysindo International Finance B.V. U.S. \$25,000,000 Guaranteed Floating Rate

Notes due 1997 For the Interest Period 18th March, 1996 to 18th June, 1996, the 14stes will carry an inverest Rate of 8.17189 per cent. per annum, with an Interest Amount of U.S. \$208.\$4 per U.S. 510,000 denomination, parable on 15th June, 1996.

ustell a die Lauenbeurg Stick Erdverge Senkers Trust Company, London Agent Bank

MACULAN HOLDING AG ATS 660 Million

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with an interest amount of Yen 582,585 per Yen 100,000,000 Note.

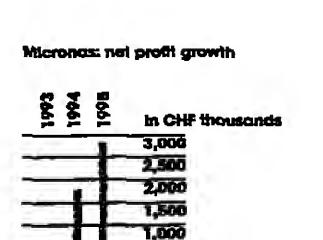
The relevant interest payment date will be September 19, 1996. Agent Bank: BANQUE PARIBAS

#### **Kia Motors Corporation** Hire "Company" (Incorporated in the Republic of Korea with limited liability)

US\$44,000,000 Floating Ray Notes due 2000 with Warrants

By: Citibank, N.A., (Issuer Services), Agent Bank CITIBANCO

NOTICE IS HEREBY GIVEN to the holders of the Womants that, as a result of the issue by the Company to holders of its common shares of a dividend of 1.113,780 shares, such dividend having been approved by a general meeting of shareholders held on February 27, 1996, the Subscription Price of the Warrants has been adjusted from W17,852 to W17,633 pursuant to the provisions of the Instrument, effective January 1, 1996. March 19, 1996, London



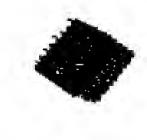
The Micronat Group: Founded in Winterthur in 1989. in 1995, it generated net profits of CHF 2.7 million from 56%) on sales of CHF 54 million (up 102%) with 400 employees at four sites in Finland, Switzerland, Scotland and Germany.

#### Going public in spring 1996

#### Sharing in strong growth

The two-man company founded seven years ago

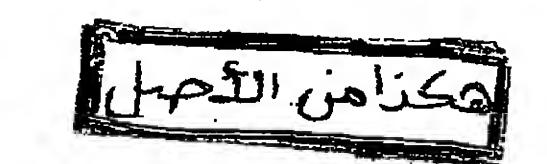
by Jürg Stahl and Jürgen Kurb has grown into a corporation that is now outperforming the fastgrowing semiconductor market. A number of factors underpin this success: a committed management team, highly qualified employees and an extremely lean organization. But the company also has a clearly focused market strategy, works closely with selected major customers and boasts an earnings-oriented ROI management that is systematically applied in all areas and at all levels.



You'll find further information on the Micronas Group in our 1995 Annual Report. You can order a copy by calling +41 1 283 70 76. Bank J. Vontober & Co. AG or from:

Micronas Semiconductor Holding AG **World Trade Center** Laufschenbachstrasse 95, CH-8050 Zurich





Japanese

By Emiko Terazono

sible downgrade.

banks face

**IBCA** credit

IBCA, the European rating

agency, yesterday said it had

placed the long-term credit

ratings of several leading Jap-

anese banks on review for pos-

The agency placed on watch Dai-Ichi Kangyo Bank, Sumi-

tomo Bank and Sanwa Bank -

which all have long-term rat-

ings of AA and individual rat-

ings of B/C - and announced

that the individual rating of

Bank of Yokohama, currently

Although IBCA believes that

the banks can deal with their

asset quality problems, it sees

the continuing sluggishness in

the economy and declines in land prices as factors affecting

The banks have made large

loan loss provisions, with

beyond the agency's previous

The agency says a gap has

widened over the past few

years between the banks' indi-

vidual ratings (which have

fallen in tandem with their

deteriorating financial condi-

tion) and their long-term rat-

ings (which consider the coun-

try rating), because of the

significant role of the banks in

the financial system and the

country's economy, and their

close relationship with the

The relationship has been

financial authorities.

expectations", it says,

their profitability.

at B/C, will also be reviewed.

oint venture d by BT buy

Et Entire yay MARCH 19 19%

sider in cable sale

Min betternielan more

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a see that the see that the

BERTHER ALTHA BUILD

trong growth

ega, the largest compact disc Sales of the sales manufacturer in Australia. Pacific Magazines said the i Suffanti di Maria Alian di 

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3.4.45

· 52

takeover would allow customers of both companies "the choice of medium in which

Active in over 40 countries,

Lafarge employs more than

34,000 people and is backed

by sales of FRF 33 billion.

The Group holds leading

and aggregates, gypsum,

and specialty products.

With its products and its

the world, Lafarge helps

and esthetic appeal.

Impermet:

expertise developed around

to improve the quality of life

by enhancing comfort, safety

http://www.bourse-de-paris-fr

positions in each of its core

businesses: cement, concrete

Share price (supees) Relative to Bombay National Index tobacco company and affiliate of BAT Industries of the UK, slumped Rs17, or 7 per cent, to Rs234 yesterday on news that the company would have to Source: FT Extel

ITC shares slip on call for fine deposit

appeal only if ITC paid a deposit of Rs1.1bn by April 30, and Rs2.4bn thereafter in eight monthly instalments.

In Bombay shares were immediately marked down on high turnover of 300,000 shares yesterday, up from average daily turnover of around 50,000 shares.

A spokeswoman for ITC said lawyers were considering the court's order and that the company would "take recourse to all legal remedies in the best interests of the shareholders". She said the court would be able to hear ITC's appeal only next year, if the company agreed to pay the deposit.

ITC also has the option of appealing against Cegat's call for the deposit, a course which might lead to the matter moving to India's supreme

FTC would not comment on either where they might draw the required funds for the deposit or, if it were paid, how

ernment wants to see the huge

ated by the PCS system to be

split among several chaebol

instead of going to a lone con-

glomerate, which could use the

proceeds to strengthen its eco-

Won200bn (\$256m), will operate

cash plus one PMP share for

every four Shomega shares,

valuing each Shomega share at

about A\$1.75. If the offer is suc-

The PCS joint venture

it would appear in next year's accounts. The company reported pre-tax profits of Rs2.62bn for the 1994-95 finandowngrade cial year.

COMPANIES AND FINANCE: ASIA-PACIFIC

Analysts in Bombay said it would remain unclear how the tax demand or deposit would ultimately affect the company until it emerged whether and where it was to find the

However, the company, which commands 70 per cent of India's cigarette market, has liquid investments of around Rsibn and can expect a cash flow in the order of Rs2bn for this financial year, according to analysts with foreign brokerages in Bombay.

The company had, until 1994, carried the thea potential tax demand, which has been the subject of official inquiries since 1987, as a contingent liability in the accounts. It was dropped as such in the latest accounts.

#### Sumitomo reporting a net loss during the last business year, but their "return to health and telecom components to an acceptable level of profitability has been delayed

licence allocated to a company not involved in making telecom equipment.

from the Korean telecom market until 1998.

Samsung and Hyundai. profits expected to be gener-Meanwhile, several mediumsized industrial groups, includ-

Foreign operators are barred

ing Kumho, Hansol and Dacom, are competing for the

Besides PCS, the government in June plans to issue licences in six other telecom sectors. including an international call operator, paging systems, and wireless data transmission.

been expanding into the print

sector, acquiring Canberra

Press, a catalogue printing

#### affected by the continued wrangling over the housing loan crisis, and the agency plans to assess the implications of this shift for the

 Asahi Shinkin Bank and Asakusa Shinkin Bank, two credit associations based in Tokyo, will sign a merger agreement today.

banks' long-term ratings, it

Consolidation among small financial institutions trying to survive amid increasing competition and cost pressures are expected to increase in the near term, and other mergers are expected to follow.

#### **NEWS DIGEST**

## Deficit at Australis 'within expectations'

Shares in Australia, the Australian pay-TV company, tumbled by 11.5 per cent yesterday, shedding 9 cents to close at 78 cents, following news of the company's A\$97.5m (US\$75.44m) after-tax loss in the year to end-December. The company, which became the first pay-TV company to launch a service in Australia in early 1995, claimed that the result - announced late on Friday - was "in line with expectations and the number of subscribers, and is characteristic of a start-up business in the capital-intensive pay-television industry" But it also admitted it was receiving short-term financial support from TCI, the largest cable group in the US, which holds an interest in Australis, and was "negotiating a longer-term financing package in co-operation with TCI".

Australis had been planning to merge with Foxtel, one of Australia's two cable consortia, and a partnership between Mr Rupert Murdoch's News Corporation and the government-owned Telstra telecommunications group. However, the deal was blocked by Australia's competition authorities. Australis said that "despite extensive discussions and numerous representations" it had still not made any headway with the competition regulators. Nikki Tait, Sudney

#### Hysan Development advances

Hysan Development, the Hong Kong property investment company with a strong presence in the office and shopping district of Causeway Bay, announced a 15.2 per cent rise in annual net profits from HK\$1.06bn in 1994 to HK\$1.22bn (US\$157m) last year.

Shareholders are to be rewarded with a one-for-20 warrant issue, on top of a final dividend of 68 cents a share, compared with the previous year's 61 cents. Taking the interim dividend into account, the payout is HK\$1.05 against 95 cents last time. The sluggish property market took its toll on the company's revalued property and investment portfolio; net asset value at the end of last year stood at HK\$29.66 a share, compared with HK\$35.98 previously. Earnings per share improved 15 per cent to HKS1.22, while operating profit climbed 20.4 per cent to HK\$1.45bn.

The company said it had raised HK\$688m from its 1995 warrants, which expired on December 31 last year, and reported progress in four projects in Singapore and Shanghai. Louise Lucas, Hong Kong

#### Increased lines lift Telkom

Telkom, the state-controlled Indonesian domestic telecoms company, said net income in 1995 rose 14 per cent to Rp907bn, (\$388m) primarily because of an increase in the number of telephone lines in service. Lines in service in 1995 rose 34 per cent, to 3.29m lines, higher than the forecast 31 per cent increase expected for 1995 at the time of the company's initial public offering last November. Increased call volumes pushed operating revenues 26 per cent higher to Rp5,105.1bn. Other expenses fell by 35 per cent to Rp102.5bn in 1995 primarily due to increased interest income earned from the \$771m raised during the IPO.

Telkom expects 1.6m lines to be installed in Indonesia this year, of which about 1.2m will be added by Telkom, at a cost to the company of \$2.1bn, and the remainder by private-sector Manuela Soragosa, Jakarta

Quntas, the recently-privatised Australian airline, and British Airways, its 25 per cent shareholder, are to "integrate" their operations in Bangkok and Singapore. The two carriers will establish joint offices in both cities and merge their sales, marketing and operational activities, although the two airline "brands" will remain distinct. Nikki Tait

## Samsung, Hyundai team for telecoms licence

By John Burton in Seoul

By Mark Nicholson

Shares in FTC, India's biggest

pay an advance deposit of

Rs3.5bn (\$102m) if it wished to

pursue an appeal against an

The fine was imposed in Jan-

uary by India's tax authorities

following their charge, denied

by ITC, that the company had

evaded taxes on cigarette sales

between 1983 and 1987 by col-

luding with retailers to charge

more for eigarette packets than

ITC, which is India's biggest

corporate taxpayer, immedi-

ately appealed to India's Cen-

tral Excise and Gold Control

Appellate Authority (Cegat).

This body ruled at the week-

end that it would hear the

the marked retail prices.

Rs8bn fine for tax evasion.

in New Delhi

In a rare display of co-operation. Samsung and Hyundai, two of South Korea's fiercest industrial rivals, have agreed to make a joint bid to operate a lucrative new telecommunications service.

The pair hope to gain one of three licences to be awarded by the government in June to provide personal communications services (PCS) in Korea. Demand for PCS, which is a

low-cost alternative to cellular phone systems, is predicted to grow sharply in Korea, with

Pacific Magazines & Printing,

the Australia-based magazine

publisher 44.9 per cent owned

by Mr Rupert Murdoch's News

Corporation, yesterday

launched a A\$175m (US\$135m)

cash and shares bid for Shom-

By Mikld Tait in Sydney

the number of subscribers estimated to reach 10m by

The government this month said it would split the PCS licences among three categories of operators.

One would be reserved for state-run Korea Telecom, while the other two would be awarded to a telecom equipment maker and a company not involved in producing telecom equipment.

The guidelines came as a blow to Korea's four leading industrial groups, all of which produce telecom equipment,

information is delivered, be it

print, compact disc, film or

"The acquisition will also

promote cost-efficient delivery

of the information and offer

customers an entry point into

new media options such as

interactive services." said Mr

Ken Catlow, PMP chief execu-

offer after talking to Mr Peter

Sidwell. Shomega chief execu-

tive, whose family company,

PMP said it was making its

video".

ture at least two of the PCS

since they had expected to cap-

The criteria were meant to prevent the Korea's largest business groups, or chaebol, from dominating the telecommunications market as it becomes deregulated.

Analysts believe agreement between Samsung and Hyundai will give them an advantage in winning the PCS licence against separate bids offered by the Daewoo and LG groups, unless the latter two also join forces.

The reason is that the gov-

Luge, holds a 38.7 per cent

stake in the CD manufacturer.

Luge has given PMP an option

over 19.9 per cent of Shomega's

shares, exercisable at the bid

price if a rival bidder emerges.

But Shomega, which floated

on the stock market in 1993

and also takes in graphic arts

and video cassette duplication

and distribution divisions, did

not immediately endorse the

PMP bid. It said it would prob-

ably make a statement once it

had appointed an independent

between Samsung Data Systems and Hyundai Electronics, which will be capitalised initially at

per cent.

nomic dominance.

separately from the two The consortium will include 100 subcontractors that provide

Pacific Magazines in A\$175m bid for CD maker expert to value its shares. last year expanded to 55m PMP is offering A\$3.85 in units a year, year, and it has

> Shomega shares were cessful. News' stake in PMP suspended after the PMP would be diluted to around 40.4 announcement, but when they In the last full year, Shomresumed trading yesterday ega made pre-interest profits of afternoon, they immediately A\$21.4m, on sales of A\$161.4m, jumped to A\$1.80 - slightly although its recent interim ahead of the PMP offer price. profits showed a sharp slump. The shares had previously Its CD production capacity was closed at A\$1.46 on Friday.

operation, this year.

## REPUBLIC OF PANAMA REPUBLIC OF PANAMA CONVOCATION ANNOUNCEMENT OF THE



INTERNATIONAL PUBLIC BID FOR THE SALE OF UP TO 49% OF THE SHARES OF THE INSTITUTO NACIONAL DE TELECOMUNICACIONES, S.A. (INTEL, S.A.) WITH THE RIGHT TO OPERATE THE COMPANY

CONDITIONS FOR PRE-QUALIFICATION Based on Merits and Background The Ministry of the Treasury, the CEO and legal representative of the Instituto Nacional de Telecomunicaciones, S.A., (INTEL, S.A.), properly authorized by Ley No. 5 of February 9, 1995 and its Board of Directors, invite the operators of telecomunications interested in participating in the

International Public Bid for the sale of up to 49% of the shares of INTEL, S.A., requiring them to submit their credentials to pre-qualify for said process.

The International Public Bid will comprise three stages: 1. Pre-qualification of interested operators, 2. Negotiation and Homologation of the documents of the Bid with the prequalified participants;

Presentation of economic offers;

The interested party who presents the proposal for pre-qualification must duly validate that it currently meets the following requirements: Technical and Quality of Service Requirements:

Provision of telephony services greater than one and a half million (1,500,000) lines and/or principal clients in service.
 Repair of seventy percent (70%) of telephone faults in twenty-four (24) hours after having received the first complaint and ninety percent (90%) in forty-eight (48) bours after having received the first complaint.

International plus local calls completed greater than ninety percent (90%). Connections of new telephone services greater than ninety percent (90%) within thurty (30) days after having received the request.

Financial Requirements: - Possess a minimum consolidated stockholder's equity of two thousand million United States dollars (US \$2,000,000,000,000.00) as of December 31,

- Posses a credit rating for senior unsecured long-term debt greater than Baal according to Moody's and BBB according to Standard & Poor's.

Required Documentation: The application must include the following: 1. Application Form for Pre-qualification,

Receipt for proof of payment of the Price for the Conditions for Pre-qualification Document.

Certification of Credit Rating from Moody's or Standard & Poor's.

4. Certification of the appropriate competent authority validating the legal existence and legal representation of the participant.

5. Power of the natural person who subscribes the application in the name and in representation of the company. 6. Information requested in Annex 1 (Pre-qualification Criteria) of the Conditions for Pre-qualification Document, properly certified by the

regulatory entity in the country of origin or, if not available, from external auditors of recognized international prestige.

7. General description of the services offered, validating. - Degree of telephony penetration (number of lines for each 100 people),

- Percentage of digitalization of the central and transmission network, and - Number of employees for each one thousand (1,000) lines of access to the service.

8. Annual reports and audited financial statements of the last five (5) fiscal years.

Information about the shareholder structure of the company, such as: - Percentage of nominal shares with an indication of their significant holders (more than 15%),

- Percentage of shares which are publicly traded. - For those shareholders who control more than five percent (5%), the following is required; name, address, percentage of participation and if have a member in the Board of Directors of the participating company.

Purchase of the Conditions for Pre-qualifications Document: The Conditions for Pre-qualifications Document can be obtained between March 19 and April 22, 1996 at the INTEL, S.A. offices, located in the 5th floor, Officina de Reestruturación, in the Torre INTEL, S.A., Condominio Plaza Internacional, Via España, City of Panama, Republic of Panama, between

8:00 a.m. and 4:30 p.m. Telephone (507) 269-4511 and Facsimile (507) 223-2433. Purchase Price for the Conditions for Pre-Ouglification:

The purchase price for the Conditions for Pre-Qualification Document is twenty thousand United States dollars (US \$20,000,00) payable by certified cheque or bank cheque to the name of INTEL, S.A. This payment is not reimbursable.

Purchase price for the Bld documents: The purchase price for the bid documents to initiate negotiation with prequalified participants is fifty thousand United States dollars (US \$50,000.00)

payable by certified cheque or bank cheque to the name of INTEL, S.A. This payment is not reimbursable.

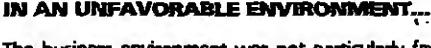
Presentation of the Document for Pre-qualification: The presentation of the document for pre-qualification will take place on April 22, 1996 from 10:00 a.m. to 10:59 a.m., to a public ceremony in the Salón Luis Banfield of the 4th floor of the Torre INTEL, S.A., Condominio Plaza Internacional, Via España, City of Panama, Republic of Panama. The

interested parties can submit their questions about the Pro-qualification process in writing to INTEL, S.A. until April 7, 1996, via facsimile (507) 223-Legal Basis: The Ley No. 5 of 1995, "By which the Instituto Nacional de Telecomunicaciones is Restructured": Ley No. 26 of 1996, "By which the Regulatory Entity for Public Services is created, and Ley No. 31 of 1996. By which norms for the Regulations of Telecomunications in Panama are dictated.

Olmedo David Miranda Jr. Ministry of the Treasury

Juan Ramon Porras CEO of INTEL, S.A.

# Growth in 1995 earnings



The business environment was not particularly favorable in 1995. Despite a number of important positive factors, such as growth in emerging countries, relatively firm pricing and nsing demand for gypsum products, the year was impacted by the second-half slowdown in mature markets and by an increase in certain cost factors.

... LAFARGE INCREASED ITS EARNINGS...

Net income after minority interests rose by 6% in 1995, to FRF 2,350 million.

Operating income before non recurring items, interest and taxes remained nearly stable at FRF 4,040 million, due to the combination of a sharp improvement in earnings of Lafarge Corporation (North America), a decline in operating profit from the cement business in Central Europe (essentially in Austria), and from the concrete and aggregate activities, and an increase in operating profits from emerging countries and from the gypsum division. Non recurring items, which include provisions and capital gains and losses on divestments,

came to a net FRF 397 million, compared with FRF 296 million in 1994. Net interest expense amounted to FRF 552 million (FRF 645 million in 1994) and income taxes were FRF 851 million (FRF 963 million in 1994).

Earnings per share were FRF 26.6, representing an increase of 3% over 1994. The payment of a dividend of FRF 10 per share, or FRF 15 with the associated tax credit, will be submitted for approval at the annual shareholders meeting. Due to the larger share base following the July 1995 bonus share issue, the proposed dividend represents a 10% increase in payout.

#### ... AND PURSUED ITS DEVELOPMENT PLANS

Consolidated investments amounted to FRF 5.9 billion in 1995, financed primarily from working capital provided by operations (FRF 4.8 billion) and proceeds from divestments. Lafarge has continued its development in Central Europe (Poland, Austria and Germany), in the Mediterranean basin (Spain, Turkey and Morocco), and in Latin America (Brazil). With stockholders' equity of FRF 30.8 billion and net debt of FRF 2.9 billion, Lafarge has a

solid financial structure to pursue its strategy.

32,841 33,218 + 1% Net income after minority interests 2,350 2,225 +6% + 3% Earnings per share (FRF) 26.6 25.9\* Average shares outstanding (millions) +3% 88.3 **85.8**\* \* Adjusted for the bonus share issue.



MATERIALS FOR BUILDING OUR WORLD

#### COMPANIES AND FINANCE: UK

Performance based on comparisons with other leading oil groups over 5 years

## Nine BP executives to share £10m

By David Lascelles. Resources Editor

Nine present and former directors of British Petroleum are to share in an award of £10m (\$15m) of shares under the company's long term performance plan.

They include Mr Robert Horton, the former chairman ousted in a boardroom coup in 1992, a year after the plan was initiated. He will get shares worth £223,000.

According to the company's annual report released yesterday. Mr Horton "was able to initiate certain changes which have benefitted the perfor-

mance of the company". BP said the changes included the reorganisation of the headquarters in 1990 which boosted

Other former executives who qualified for the award were Mr Hugh Norton, managing director until last year, who gets £1.75m, and Sir David Simon, now chairman, who receives shares worth £860,000.

The largest recipients among current directors are Mr John Browne, chief executive, who gets shares worth £1.7m, Mr Steve Ahearne, the finance director (£1.6m), Mr Bryan Sanderson, head of chemicals (£1.6m) and Mr Russell Seal,

head of human resources (£1.1m). The long term performance plan was introduced in 1991 to replace share options

Shares are awarded after five years based on BP's returns compared with other leading oil groups. Mr Peter Sutherland, chairman of the remuneration committee, said BP had outperformed the stock market over the period, producing a return of 15 per cent a year. Earnings had increased by 87 per cent, and return on capital went up from 9 to 14 per cent. The awards were based on a 60 per cent achievement of the targets laid down in 1991.



Robert Horion: headquarters actions boosted efficiency

## Pearson and Carlton to launch Indian channel

By Raymond Snoddy

information and entertainment group, is joining other investors including Carlton Communications to launch a general entertainment Hindi-language satellite channel for India.

The deal - which has yet to be formally signed - would represent the first move into Indian television by both Pearson and Carlton. It would involve an initial

investment of \$45m and a commitment to spend \$200m over the next five years.

The first hint of the satellite plan was revealed yesterday by

Mr Frank Barlow, managing director of Pearson, as the company announced profits in line with expectations for the year to December 31. Boosted by capital gains of

£131m (\$200m) from the sale of its direct stake in British Sky Broadcasting. Pearson increased pre-tax profits for 1995 by 23 per cent to £365m. The decline in operating profit was attributed to a £25m

drop in the operating contribution from BSkyB, and a £35m increase in restructuring costs. These included £8m from the closure of its the Financial Times Docklands printing site: £6m on redundancies at West-

DIGEST

minster press, the regional newspaper group; and a £17m provision for "back-office reorcanisation".

One of the biggest setbacks was in the entertainment division, where Mindscape - the US CD-ROM and games group acquired for \$462m in 1994 lost £6.9m. Mr Barlow said it was a completely unacceptable result from a company that has cost more than £300m. Mr John Moore, the new Mindscape chief executive, said there were no plans to sell the company. A number of US competitors had also experienced difficulties because of rapid changes

in the market, he said

		Титеся	er (Em)		s-tax ii (£na)	EP:	s (p)	Correct payment (p)	Date of payment	<ul> <li>Dividends ~</li> <li>Corresponding dividend</li> </ul>	Total for year	Yotal to year
Argas	Yr to Don 30	1,436	(1,257)	124.4	(100.2 )	27.5	(22.3)	94	May 23	7.85	13	10.5
Astec (BSR)		371.8	(312.2)	28.1	(21)	7.33	(5.86)	1	June 11	0.8	1.5	1.2
ASW		641.5	(464.3 )	13.8	(4.2 <b>4</b> )	17.37	(6)	<b>0.7</b>	June 7	3	4	Б
BCE §	6 mths in Dec 31	4,14	(2.41)	1.22L	(0.199 )	0.44L†	(0.28)	nii	-	nii	•	0.09
Hack (A&C)		7	(6.6)	0.564	(0.601 )	25.7	(28.4)	9.75	July 2	9.75	14	14
rockbank Ø		6.99	(6.1.)	3.9	{1.62 j	19.76	(8.27)	2	Apr 19	1	7.32	6.32
Suntzi		1,759	(1,622)	106.2	[4.9L4 )	15.5	(8L )	3.8	July 1	3.2	5.8	5
Doeflex		57.4	(38)	3.05	(1.82)	17.65	(12.45)	4.6	May 31	3.7	6.7	5.3
diaburgh Oil & Gas		3.29	(2)	0.562##	(0.18511)	1.62	(0.6 )	0.25	Apr. 26	n <b>i</b>	0.25	n#
Blynwed Inti		1,252	(1,025 )	84.2	(67.1)	25.76†	(21.34 )	8.35	June 7	8.1	12.75	12.25
lammerson		127 40	(121.3□)	57.7♠	(107.5 <b>4</b> )	13t	(34.3)	7.15	May 24	6.5	10.65	10
CHAN		13.6	(8.89)	4.05L	{1.29}	4.421	(1.74 )			-	•	-
danganese Bronze		48	(41)	2.54	{1.97}	10.11	(7.25)	2.5	Apr 11	2	_	5
	Yr to Dec 31	49.1	(43 ]	5.6	(4.9)	18.81	(16.1)	4.95	May 31	4.4	7.2	8.4
Ad-States		80.5	(77.6)	0.689	(5.93 )	0.6L	(10)	nůl		nii	ល្ប	n#L
Authmedia 🌣		2.37	(1.57)	0.123	(0.094L)	0.49	(0.43L)					-
iorthern Laisure		134	(11.6)	2.53	(1.63 }	4.5†	(3.7)	2	June 3	2	•	4
earson		1,830	(1,550 )	365.1♥	(297.8 <b>♥</b> )	47.1	(40.4)	10.175	June 7	9.25	16,5	15
olypipe		94.2	(84.7)	9.76	(9.31)	4.06	(3.98)	0.83	Apr 23	0.81	22	2.66
Temier Oil		85.1	(48.9 )	25.1‡‡	(att	263	(1.64)	0.5	May 16	nii	0.5	ξn
loyal Doubton		242.8	{227.5}	15.2	(126)	20.4	(18.4)	6.5	June 7	5.75	8.5	7.5
Select Appointments §		226.7	(89.8)	12.5	(26)	1.33†	(0.55)	0.25	June 5	0.70	0.25	-
gkiespaus &		2.07	(2.92)	1.52L	(0.421LV)	0.19L	(0.06L)	-	ware o		0.00	-
alcare		110.3	(90)	21.8	(21.7)	14.3	(14.5)	1.7	Apr 2	1.5	2.6	2.3
		479.5	(397.3 }	44.9	(35.6	19.5	(16.2)	4.08	May 23	3.3	6.52	5.43
		75.6	(60.1)	8.03	(5.77)	17.37	(16.2)	4.9	May 31	4.2	7.1	4.2
fitec		131.8	(97)	30.7	(20.1)	52.3	(40.2)	7.7	July 1	6.6	10.5	9
Mison Bowden		228.2	{241.7}	29.6		21.1	•	7.2		7.2	10.05	10.05
TISMI DUNGSI	Yr to Dec 31	220.2	{241.7 }		(37.1 )	21.1	{27.1 }		May 28			
nvestment Trusts		MAY	(p)		botable igs (200)	EP:	i (p)	Current Payment (p)	Date of Payment	Corresponding dividend	Total for year	Total las
Viliance	Yr to Jan 31 +	£24.28	(£18.85)	31	(28.4 )	61,49	(56.4 )	37	Apr 26	35	53	50
Sartmore Smaller 6	miths to Feb 29 *	299.4	(269.7-₹)	0.364	(0.38)	2.6	(2.7)	1.5	June 3	_1.5		5.75

## Bunzl strides ahead to £106.2m By Patrick Harverson Volatile raw material and

product prices failed to knock Bunzl off its stride last year, with the paper and plastics group reporting a sharp rise in annual pre-tax profits from £79.8m to £106.2m (\$162m).

Sales from continuing operations climbed to £1.76bn (£1.51bn). Mr Anthony Habgood, chief executive, said trading had started well this year, despite rapid and unpredictable changes in prices of pulp and plastic resins.

Among the most promising developments was the \$100m (£65.3m) in orders won by its US distribution business.

Bunzl also announced two small acquisitions in the plastic and disposables businesses worth £3.3m. Mr Habgood said further acquisitions would

PRESSURE PIPE SYSTEMS

CONSUMER AND BUILDING

PRODUCTS

METALS AND METAL

SERVICES

only be "at the right price and in the right place". Paper and plastic disposables had another strong year, with profits rising to £68.3m (£54.1m).

Fine paper profits rose 55 per cent to £20.6m as the high proportion of 'just-in-time" deliveries at the UK operation helped cushion against the negative impact of destocking by customers reacting to falling paper prices.

Profits from plastic products rose to £14.1m (£12m). Cigarette filters saw profits rise 3 per cent to £15m amid stronger competition in Italy, adverse exchange rates in Austria and higher raw material costs in

the US and UK. The conversion of £25m of unsecured loan stock and improved cash generation reduced debt by £4m to £31m.

## Astec up 34% on new products and lower costs

By Christopher Price

Astec (BSR), the Hong Kong-based power conversion and electronic components group, reported a 34 per cent rise in 1995 pre-tax profits from £21m to £28.1m, helped by lower costs and new prod-

Turnover at the company, in which Emerson, the US power group holds a 49 per cent stake, rose by nearly a fifth to £371.8m. Sales from new products introduced in the previous three years rose from 39.5 per cent to 44.5 per cent.

Operating profits in the power conversion division rose 30 per cent to £22.8m on sales up 17 per cent at £292.6m. Mr David Farr, chief executive, said the cost-base had been reduced through re-locating the division from Hong Kong to the Philippines, where a new factory contributed its

first full year. The company is continuing its strategy of expanding in south-east Asian. This reflected the strong growth in the demand from the region for the group's products. As part of this plan, a factory for electronic components had recently opened in China.

## 'Everyday' boost for Royal Doulton

Strong sales of its 'Everyday' fine china helped Royal Doulton, which has been based in England's Potterles region for 200 years, lift profits by 21 per cent. Mr Stuart Lyons, chief executive, described the result as "very positive - we have shown investors that we are capable of doing what we said we would do."

Formal dinnerware sales were slightly lower, but still accounted for 30 per cent of the total. Sales of Winnle the Pooh figures hit £3.5m (\$5.4m) from a standing start, not far below the Brambly Hedge and Bunnykins ranges, and the group has added the US distribution licence for this year.

Next month china decorating will start at the new \$20m manufacturing facility in Indonesia, which will next year be fully active producing mid-price fine china for North America and the Asia Pacific region. Start-up costs this year will be £1.5m, with break-even in 1998.

The group has also acquired Holland Studio Craft, which makes cold cast resin collectibles, for a total of about £1.85m. David Blackwell

#### Sachtler buoys Vitec

Acquisitions in the broadcast and photographic markets, together with strong underlying growth, helped Vitec Group to a 53 per cent rise in 1995 pre-tax profits, up from £20.1m to £30.7m (\$46.97). This included a significant contribution from Sachtler - formerly its main competitor in the camera supports, lighting and suspension equipment market - which it bought for £70.6m a year ago.

The broadcast equipment division contributed 42 per cent of group profits, with margins improving from 19 per cent to 23 per cent. Divisional operating profits more than doubled to £13.7m, driven by strong demand, particularly in the US and east Asia. Surveillance profits rose 51 per cent, benefitting from a cost-reduction programme introduced in 1994.

Christopher Price

Was Hard

#### Brunner Mond plans listing

Brunner Mond, one of the oldest companies in the UK chemicals industry, is hoping to return to the stock market later this year with a value of up to £200m (\$306m). The flotation comes five years after Brunner Mond was bought out from ICI and 115 years after it was founded by Ludwig Mond, a German émigré.

The Cheshire-based company, the UK's largest manufacturer of soda ash, had initially planned to float in 1994. But the issue was postponed after profits were hit by a price war started by Solvay, the European market leader.

#### APV sells antipodean divisions

APV, the food and drink production equipment maker, has sold its catering equipment and retail bakery businesses in Australia and New Zealand for A\$31.8m cash. The buyer in each country is Moffat, owned jointly by Kenmare Capital, AMP Investments and the managements. The final consideration is subject to adjustment, but the group expects profit on the disposal to be about £7.7m. For the year to December 31, the businesses made a profit of £3m on sales of £22.4m.

#### Mid-States skids to £689,000

Fierce competition leading to reduced margins in an indus-try where sales were down overall led Mid-States, which distributes automotive parts in the US, to announce a slide in full-year pre-tax profits from £5.93m to £689,000 (\$1,05m). The figure was struck from increased turnover of £80.5m (£77.6m) for the year to December 31; excluding the effects of acquisitions sales declined by 2 per cent.

There was a restructuring charge of £2.03m (nil) and exceptionals totalling £940,000 for losses on closed operations.

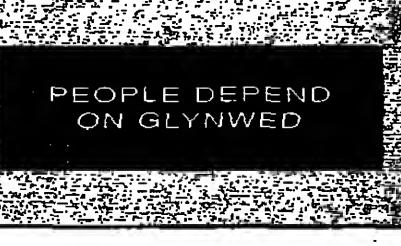
#### GIWAWE resuis "the Group was able to achieve further significant progress." 1995 1994 Increase £1,251.7m Tumover £1,024.9m 22.1% Profit before Interest £93.0m 25.0% Pre-tax Profit £84.2m £67.1m 25.5% Earnings per Share 25.76p 21.34p .: 20.7% Dividend per Share 12.75p 12.25p 4.1% Return on Capital 27.3% 29.3% Debt/Equity Ratio 40.9% 25.6% "... a full year's contribution from Victaulic and the further benefits to

## be derived from new products, greater efficiencies and higher exports, give us confidence that 1996 will be a year of satisfactory progress." GARETH DAVIES, Chairman

#### Glynwed

18th March 1996

The 1995 Report and Accounts will be posted to shareholders early in April. For a copy please write to the Group Secretary, Glynwed International pic. Headland House, New Coventry Road, Sheldon, Birmingham B26 3AZ.



#### Further growth in TECHNIP's results despite the very difficult international environment

The Board of Directors of TECHNIP met on 14 March 1996, under the chairmanship of Mr P. VAILLAUD, and reviewed the audited consolidated accounts for 1995, which included the following information:

Key figures (in French francs millions)	1995	1994	Variation
<ul> <li>Consolidated tumover</li> </ul>	9,205	8,858	+ 3.9%
<ul> <li>Group net profit</li> </ul>	440.3	371.2	+ 18.6%
Group Shareholders' equity	2,256	1,941	+ 16.2%
Dividend per share (excluding tax credit) in francs	9 francs	8 francs	+ 12.5%

• Consolidated turnover increased by 3.9% and amounted to 9.2 billion francs (compared to 8.86 billion francs for 1994). This included 74% achieved outside Western Europe.

• Group net profit amounted to 440.3 million francs, representing growth of 18.6% compared to the previous year (371.2 million francs for 1994).

• Group shareholders' equity increased by 16.2% compared to the previous year, and amounted to 2.256 billion francs before distribution (compared to 1.941 billion francs for 1994).

 At the same time the Board of Directors approved the accounts of TECHNIP (the parent company) for 1995 and decided to propose to the Annual General Meeting which will be held on 30 April 1996, to increase the dividend to 143 million france (126 million francs for 1994), being 9 francs per share (8 francs per share for 1994),

excluding tax credit. • The uncompleted part of contracts in progress (backlog) amounted to 13.5 billion francs at 31 December 1995, representing more than one year's turnover.

#### TECHNIP

DESIGN & CONSTRUCTION OF MAJOR INDUSTRIAL PROJECTS

#### COMPANIES AND FINANCE: UK

## Elan pays \$600m for Athena Neurosciences

By Daniel Green

Elan, the Irish pharmaceuticals company, is to pay more than \$600m in shares for Athena Neurosciences, a Californian biotechnology company. Both companies called the deal a merger and Mr John :Groom, Athena's chief executive, will take up a new post at Elan as chief operating officer. Athena will become a subsid-

iary of Elan. Mr Thomas Lynch, Elan's finance director, said: "This is arguably the most significant step in our corporate history." The new company will have a market capitalisation of between \$2.7bn and \$2.8bn. Athena shareholders will get

0.2956 Elan American deposi-

tary shares for each Athena share. Based on the March 15 closing price of Elan, the agreemeni values Athena at \$18.25 a share, or \$640m, said Mr

Athena shares had closed at \$15% on Friday, he said. Yesterday they were trading at \$17% with Elan closing unchanged at 1940%. Mr Donal Geaney, chief exec-

utive, said Athena brought a sales force whose value had been "under-appreciated" by investors, as well as products to treat neurological conditions such as Parkinson's disease. He said the company had been looking for acquisitions

lar corporate culture". Elan and Athena have had an alliance for more than a

year to develop new products and formulations in the area of neurology. Elan had taken a 1 per cent stake with warrants and options for a further 5 per

Elan said the transaction should be completed by early summer, and would dilute its 1996 earnings but boost them from 1997. The deal marks a diversifica-

tion for Elan from its core area of developing improved ver-sions of existing drugs. It is best known for developing the slow-release version of Cardibut "we've rarely found a zem, a high blood pressure potential partner that was drug made by Hoechst Marion complementary and had a simi-

## LEX COMMENT

Share price relative to the FT-SE-A

Argos's decision to give £127m back to shareholders in the form of a special dividend was the right one. given that the company had failed to find a suitable acquisition. Argos has been increasing its average cash balance by close to £40m annually in the last few years, so the management's claim that it still has plenty of fire-power to make an acquisition is fully justified. Even after the pay-out, the

balance is likely to beabout £130-£140m, assuming that it continues to generate cash at a similar rate. The worry

is that Argos's luck in finding something suitable to buy will not improve, and earnings growth will plateau.

True, the company still has a healthy stores opening programme, and like-for-like sales growth remains robust. In fact, it is in a better position than many UK retailers. It reckons it still has scope to open a further 200 stores on top of the nearly 370 it has already and is trialling new formats. But then that is already priced into its shares. To justify its 50 per cent premium to the market - and its smaller but still substantial premium to the sector - it cannot afford to pause for

The company's consideration of an alternative strategy of organic expansion overseas suggests that the management is all too aware that it is heading for a brick wall sooner or later. Given Argos's conservative approach, there is every reason to hope that it will not come unstuck as so many British retailers

Equally, though, there is no hope of foreign markets kicking in with rapid returns if the rate of UK profits growth starts to

# Argos

## PRELIMINARY RESULTS 1995

#### ANOTHER RECORD YEAR IN ALL RESPECTS

THERMOPLASTIC MATERIALS FOR SPECIALIST APPLICATIONS

	1995	1994	Increase
Sales	£57.4m	£38.0m	51%
Profit before Tax	£3.1m	£1.8m	68%
EPS	17.65p	12.45p	42%
Dividend	6.7p	5.3p	26%

"Doeflex has excellent management teams and well defined plans. We are making good progress towards the achievement of our most important strategic goals. We expect sustained growth in all our UK markets".

Richard Bickerton - Chairman

Copies of the press statement are available from the Company Secretary Telephone 01737 771221. Fax 01737 778219

# Tyday, poost

TENDAY MARCH 1916

Royal Doulton

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WE TECHNIP'S results the very difficult med with trumpent

## Argos pledges £127m pay-out

By Peggy Hollinger

By Roderick Oram

Argos, the catalogue retailer, has pledged £127m (\$194m) of its £231m cash pile to shareholders through a special payout as it announced a 24 per cent jump in pre-tax profits.

BAT industries told analysts yesterday

that the proposed settlement of US

anti-smoking cases by Liggett Group

"is unlikely to ever become effective."

week by Liggett, a small cigarette

maker whose majority owner is trying

to break up RJR Nabisco, the number

executive, said shareholders on the register on April 15 would receive 42p a share, in addition to the ordinary dividend.

The bonanza is not expected to hinder Argos's ambitions to expand in new retailing areas. Mr Smith said Argos retained Mr Michael Smith, chief the fire power necessary for

ing UK purchases in core product areas which fell "broadly in the range of what we have retained". Mr Smith said. BAT confident over US anti-smoking law suits

any future acquisitions.

Argos, which has been

tipped as a potential bidder for

H. Samuel, the jewellery chain

owned by Signet, was examin-

maker in the US, said it would continue "to defend all law suits aggres-Thus the legal deals outlined last sively." It also believed that the tide of the industry.

Moreover, the proposals by Liggett ers, the demerger stood more chance of

two manufacturer, were unlikely to were aimed at winning the backing of have any impact on the industry, it RJR Nabisco's shareholders for the spin-off of the Nabisco foods business BAT, the third largest cigarette from RJ Reynolds, the tobacco company, BAT said. If Brooke Group. which owns 57 per cent of Liggett, could convince RJR Nabisco shareholdcourt action was running in favour of ers that it had put a cap on all future potential damage payments to smok-

The crucial date was the RJR Nab-

sico shareholders' meeting on April 17. If Brooke Group lost the vote on that day, its proposed settlements would become unenforcible, one analyst said. "It was a low keyed presentation by BAT to demonstrate that nothing had changed" on the US litigation front, he

## Siebe may have to increase its £450m offer for Unitech

By Tim Burt and Christopher Price

Shares in Unitech yesterday rose 173p to 688p on expectations that Siebe, the industrial controls manufacturer, will have to increase its friendly £450m (\$688m) takeover offer to secure control of the electronic controls group.

Although Siebe has already acquired a 25 per cent stake in Unitech at 590p a share, Unitech hinted that would not be enough to win board support of about 650p a share with a for an agreed deal.

"We have yet to discuss the level at which we would accept their offer," said Mr Peter Curry, Unitech chairman. Senior officials at Morgan

Stanley, advising Siebe, are

due to meet Unitech's advisers at Kleinwort Benson today in a preliminary attempt to hammer out a deal.

Mr Barrie Stephens, Siebe chairman, said initial talks would centre on organisational issues, mainly involving the due diligence process. "Until we get a profits forecast from Unitech we haven't anything on which to base a sensible valuation.

Siebe, which is expected to make a paper offer for Unitech cash alternative, raised the possibility that Mr Curry could be offered a board position if

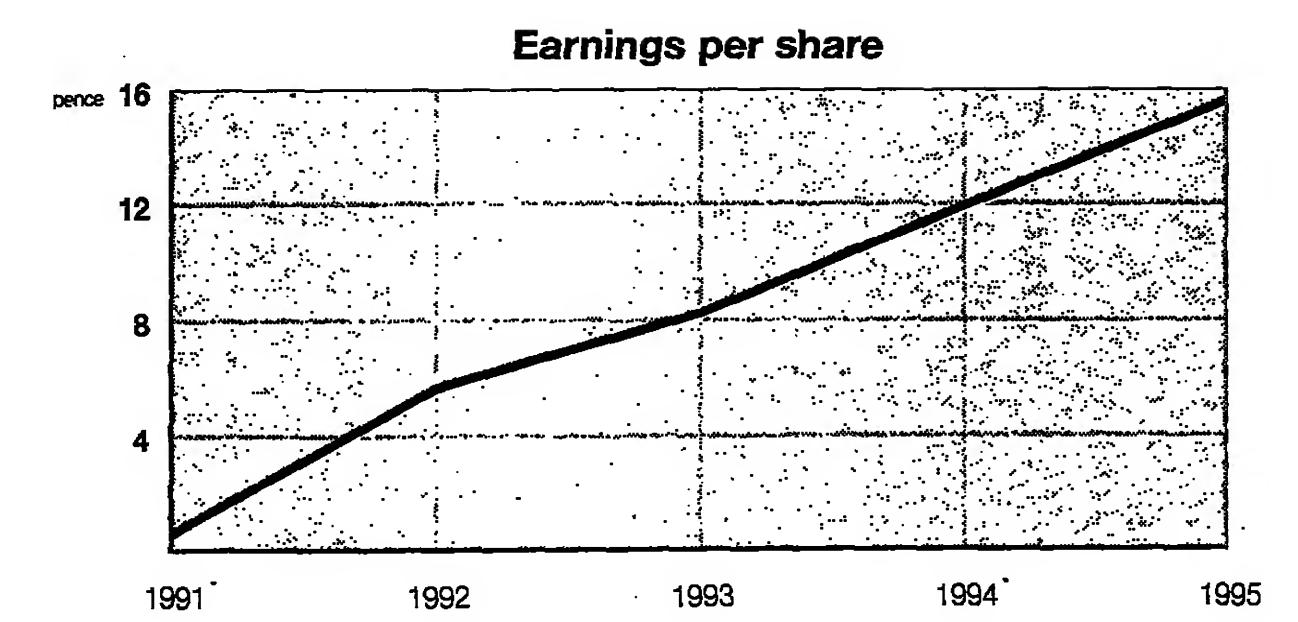
its bid for Unitech was agreed. Mr Stephens said the company was not interested in a hostile deal, adding that it

unlikely to proceed if the takeover threatened to dilute its earnings per share. Even so, Siebe shares fell 18p to 826p.

Siebe has secured an irrevocable undertaking from Electrowatt, the Swiss electronic group, to buy its 25 per cent stake at 590p with an option over a further 4.1 per cent at 600p. Analysts expressed surprise that Electrowatt had sold at that price, especially given the subsequent jump in shares.

Electrowatt is also seeking a in Eurodis Electron, the electronics component distributor. Two weeks ago, the Swiss group said it was in talks with several interested parties regarding the Eurodis stake, but has not yet found a buyer.

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1,649 Million, 12.9 % below the same quarter the previous year (FF 1,894 Million}. This decrease is largely attributable to the sale of MAEVA which grossed FF 123 Million in the first quarter last year and a lower US dollar. These two: items excluded, the reduction in revenues is limited to 2.2 %, due to seasonal factors and the temporary closing of Saint Martin (French West Indies).

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## Increase in share capital unlawful

measures taken Greece compulsorily increasing the share

24

capital of a bank without the approval of - a general meeting of the existing shareholders thereby denying them the right to participate in the consequent capital increase. infringed European company laws on the protection of shareholders, the European Court of Justice ruled last

The ruling was given in the context of claims by the original shareholders in the Bank of Central Greece who had challenged decrees ordering the increase in capital made in 1986 by the governor of the National Bank of Greece and a provisional commissioner.

The decrees were later confirmed by laws under which the capital of the Bank of Central Greece was compulsorily increased from Dr670m to Dr1.7bn.

Although a notice inviting people to subscribe for the new shares was published in several Greek daily newspapers. the registered shareholders were not officially informed in writing of the offer.

When the offer was undersubscribed by the existing registered shareholders, the new shares were allocated to various third parties, but principally to a state-owned entity which thereby acquired a controlling interest of some 70 per cent of the total capital of the Bank of Central Greece.

The original shareholders also challenged the legality of further capital increases voted by the shareholders in 1987, 1989 and 1990 on the ground that the votes of the new shareholders were invalid.

The Greek court referred the case to Luxembourg for a preliminary ruling on the applicability of the 1977 European second company law directive to

their case. The European court first rejected arguments advanced by the Greek government and the National Bank of Greece that the second company law directive did not apply to banks. The court said that, on the contrary, it was clear from

the terms of the directive that it applied to all limited companies and subject only to specifically identified exceptions which did not apply in the present case.

The Greek government, supported by the Portuguese government, also argued that the right of European Union member states to take measures to increase compulsorily the capital of a bank were justified by the public interest in the protection of depositors, the duties of member states to supervise the activities of financial institutions and in the interests of the national economy.

In rejecting these arguments the court pointed out that there was no reason why those objectives could not be achieved while respecting the rights of existing shareholders as guaranteed by the second company law directive, namely to decide for themselves on whether or not the share capital of the company should be increased, and to subscribe proportionally to any increase.

Moreover, the court said, the failure, contrary to the requirements of the second company law directive, to give written notification to the existing shareholders of the option to subscribe to the new shares was a substantive breach of their rights, notwithstanding publication of the offer.

Finally, the court stressed that shareholders' rights could not be circumvented by national rules, which had been invoked in the national court. and which prevented the exercise of legal rights in bad faith or contrary to the purpose of the law in issue. The exercise by minority

shareholders of their rights under European company law directives could therefore not be prevented by national rules of that type, merely on the ground that they might have prevented the Greek government from taking measures which would be beneficial to the financial health of the company concerned.

Case C-411/93; Panagis Pafitis and others v Bank of Central Greece and others, ECJ FC.

BRICK COURT CHAMBERS,

#### Carlsberg's new managerial brew

Flemming Lindelov, 47, is to take over as chief executive of Denmark's Carlsberg Brewery group from next January. He succeeds Poul Svanholm, who has held the position since 1972.

Lindelov made his career in Co-op Danmark, the co-operative wholesale and retail business, where he became a member of the executive board before becoming chief executive of Tulip International, the flagship company in the production of processed pigmeat products, in 1990. Michael Iuul 53, will remain as executive director in charge of international development, a job he has held since 1985, with Walther Paulsen, 46, likewise staying on in charge of finance, personnel and administration.

Syanholm has dominated Carlsberg for more than two decades. One of his first tasks was to preside over the merger of Carlsberg with its great domestic rival, Tuborg, although common ownership has not prevented the breweries from continuing to compete. He has grown Carlsberg into one of the top three Danish industrial groups in terms of turnover and has presided over a major international expansion of the brewery, which now sells six times as much beer abroad as it does in Denmark.

Svanholm is stepping down because he will have reached the company's normal retirement age when he celebrates his 63rd birthday in June. However, he will not be short of work. Among other things, he is chairman of the supervisory board of Den Danske Bank, Denmark's biggest bank, where he can remain until he reaches 70. Hilary Barnes

BONY custody chief

Bank of New York has appointed Maureen Bluedorn (left) as Londonbased executive vice president for global custody business. Bluedom was a managing

director in the global custody business of JP Morgan, which BONY acquired last year. She is the highest ranking executive to join BONY following the highly publicised merger. which makes the bank the world's second-largest global custodian.

Global custody - the safe keeping of securities and cash on behalf of investors - has been one of the fastest growing businesses for banks in recent years. However, fierce price competition and a growing need to invest in technological enhancements

have led to a wave of consolidations. JP Morgan's custody business was one of the most successful and the decision to sell it took its competitors by surprise. Though a BONY spokesman said that 'the great majority' of JP Morgan's custody clients had agreed to the acquisition, the physical conversion of the two banks' computer systems will take at least a year. Industry consultants believe that this conversion process is the greatest challenge for an acquirer because any disruption is likely to provoke swift client defections.

INTERNATIONAL PEOPLE

Unilever portfolios

Unilever has announced changes in directors' responsibilities under the board reorganisation which takes effect on September 1

The seven-member executive committee of the board will be co-chaired by Niall FitzGerald and Morris Tabaksblat, respectively chairmen on that date of the group's UK and Dutch arms, Other members are Lex Kemner, category director foods; Clive Butler, home and personal care: Iain Anderson, industrial, also responsible for strategy and technology; Hans Eggerstedt, financial director and Jan Peelen, personnel director.

Presidents have been named to four of the 14 new business groups. They

are Roy Brown, food and beverages. Europe; Antony Burgmans, ice cream and frozen, Europe; RM Phillips, home and personal care, North America; and Okko Muller, who will handle Foods Europe in 1996 and will then commence handover to Brown. He will retire at Unilever's annual general meeting in May 1997.

Two other directors will retire at the same time: Ashok Ganguly, research and engineering director. and Christopher Jemmett, who will sit on the executive committee with responsibility for guiding the introduction of the new business groups.

Hard Rock faces music Rank Organisation, the UK leisure industry conglomerate, has tuned in to the US music industry to find a new chief for its Hard Rock Cafe chain. Jim Berk, 35. who was responsible for the Grammy awards at the National Academy of Recording Arts and Sciences Foundation in California, has been appointed chief execu-

based in Orlando. Florida. Berk replaces Art Levitt who was poached by Walt Disney to head a new Disney division which will launch several new ventures ranging from sports restaurants to multi-use entertainment centres in the US and overseas. Levitt, 38, son of the US SEC

tive of Hard Rock Cafe International,

chairman Arthur Levitt, had been brought in by Rank after the entrepreneurial Robert Earl, 43, went off to set up his Planet Hollywood chain. The Hard Rock brand could easily have withered on the Rank vine, but Levitt has reorganised it and turned it into one of the fastest growing parts of the Rank empire. Berk and can be expected to take the restaurant chain back to its musical roots.

Pigliucci's litmus test



tory equipment maker. Pigliucci, 49, resigned as Perkin-Elmer's chief operating officer last May after the group went outside for a new chief executive. He joined the group from Italy and had worked for Perkin-Eimer for 25 years. Life Sciences International, which has sales of 2200m a year and employs 2,500 people, is less than half the size of Perkin-Elmer and has been rumoured as a likely bid target. Motoko Rich

ON THE MOVE

■ Eggert Voscherau and Helmut Beck will join the board of German chemicals company BASF on November Beck will become personnel director on January 1 1997.

They replace Dietmar Werner, who is retiring at the end of December, and Dieter Stein, who will retire after BASF's annual shareholder meeting in 1997. Peter Lynch, vice chairman of Fidelity Investments and former manager of Fidelity's

Magellan Fund, resigns from

the board of W R GRACE on Olivier Houssin, executive vice-chairman of Alcatel Cable America, becomes head of the new telecoms division at ALCATEL CABLE. Jacques Leclercq, chairman of Alcatel Submarine becomes head of the new submarine telecommunications division

and of the energy division.

Gilles Dupuy d'Angeac, managing director of Alcatel Cable, chairman of Alcatel Contracting and Alcatel USA Corp, will head the metallurgy and special activities divisions of Alcatel Cable. ■ PG Kakodkar has been

appointed chairman of

DISCOUNT AND FINANCE HOUSE OF INDIA, replacing SS Tarapore, who retains his role as deputy governor of the Reserve Bank of India. Kakodkar is also chairman of the State Bank of India.

■ Gaetano Galia has been named managing director of the state-controlled AEROPORTI DI ROMA. replacing Domenico Cempella who took over as chief executive of Alitalia last ■ Stephen Juge, 42, rises to

senior vice president and European legal counsel for THE WALT DISNEY COMPANY (EUROPE). Juge was most recently general counsel of Disneyland Paris. Before joining Disneyland Paris in 1987, he was with the law firm Coudert Freres in Paris.

CATHAY PACIFIC

AIRWAYS has appointed CITIC Pacific director Zhuang Shoucang, and Peter Mak Shair, assistant to the managing director. non-executive directors. They will replace CITIC chairman Larry Yung and Henry Fan. Yeo Eng Cheong, 47, and Neo Khay Pin, 49, have been promoted to be two of the three executive vice presidents in the commercial banking

sector of THE UNITED OVERSEAS BANK, Terence Ong Sea Eng. 46, has been promoted to executive vice president in the international

banking sector. m Jannie Mouton, former managing director of the South African broking firm Senekal Mouton & Kitshoff has joined the board of ING BARINGS SOUTHERN AFRICA as a

non-executive director. ■ GTI, the 57 per cent owned US subsidiary of Telemetrix. has appointed Albert Martinez as chief executive officer. He was previously chief executive officer of Applied Micro Circuits.

Pierson Grieve has been appointed a non-executive director of DANKA BUSINESS SYSTEMS. He was chief executive officer of Ecolab Inc for 12 years prior to his retirement in 1995. ■ John Elliott has been appointed executive vice

of International Establishment Services at AMERICAN EXPRESS, based in London. He joins from First Data Corporation, where he was chairman and chief executive officer of Card Establishment Services. ■ Ajay Sondhi, formerly

director and country head,

president and general manager

■ Stanley Myers, president

with Monsanto for 18 years.

**VERLAGSGRUPPE** ULLSTEIN. Rodolfo Bryce, 49, president of Schering-Plough International, succeeds Donald Conklin, 59, as president of SCHERING-PLOUGH HEALTHCARE PRODUCTS on April 1. Conklin will stay on as chairman of the business unit until his planned retirement at the end of the year. Richard Zahn, 44, becomes president of Schering Laboratories. and chief executive officer of Siltec Corp, is leaving at the end of August to join SEMI as president; he was with Siltec for 17 years, and before that

India, for Salomon Brothers

executive of Barclays Bank

and BZW activities in India

with effect from April 2 1996.

Peter Harlock continues as

chief executive of Barclays

Bank which undertakes the

group's commercial banking

treasury and project finance

remain as chairman of

German publisher

activities. Jeremy Seddon will

Barclays/BZW Group in India.

■ Patrick de Royer becomes

director of SIEMENS SA's

domestic telecoms division.

■ Wolfram Goebel has been

appointed managing director at

has been appointed group chief

Gordon Waters has joined the UK's UNITED UTILITIES the combined former North West Water and Norweb - from Tarmac as managing director of the international division. 🖀 Brian Poggi, 39, has been named chairman of POLAROID (UK) and UK-based

vice-president for Polaroid's European marketing and sales operations. ■ John Molan, 49, joins McCORMICK, the seasonings

company, as group vice president and managing director - Europe. He takes over from Hal Handley, who is retiring at the end of March. ■ Mohd Nadzmi Salleh is stepping down as managing director of PROTON, the Malaysian car maker. Clement Kwok is joining

Hong Kong's MASS TRANSIT RAILWAY Corp. as finance director on June 1. Currently a director and head of corporate finance at Schroders Asia in Hong Kong, Kwok succeeds Roger Moss, who is retiring. ■ Guy Vicinelli, 53, a 25-year veteran of JP Morgan, joins COUTTS, the international private banking subsidiary of National Westminster Bank, as senior vice president of Coutts & Co AG. New York, with a remit to develop the Coutts

Americas region business in

Europe, Asia and the Middle

- .

■ Nick van der Linden has departed as a managing director with Rabo Effectenbank, the equity trading arm of RABOBANK. following disagreements over strategy, the Dutch cooperative

■ Claire Mialaret and Philippe Richard are appointed deputy managing directors at HAVAS MEDIA COMMUNICATION. Italian media group FININVEST has appointed to the board Salvatore Sciascia, its director in charge of tax

Roger Vines has been elected a vice president of the ALUMINIUM COMPANY of AMERICA. Anshuman Misra has been

appointed general manager in India for BBC WORLD.

> International appointments

Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to fine.

# **PremierOil** increases net profit by 179%

**Preliminary Results for 1995** 

- Net profits up 179% at £25.1 million due to a 66% increase in production.
- Earnings per share increased by 60%.
- Maiden cash dividend of 0.5p per share proposed with share alternative.
- Production averaged 23,500 barrels of oil equivalent per day. Currently at 30,000.
- 3 new UK fields onstream Fife, Blenheim and Galahad.
- Qadirpur gasfield in Pakistan onstream at 200 million cubic feet per day - Premier's first significant international production.
- Major refinancing completed March 1996. \$150 million 10 year US private placement and \$200 million 7 year bank facility.

Charles Jamieson, Chief Executive, comments: "Premier has set itself challenging targets for growth and profitability over the next 3 years. These record results based on a solid UK production platform and the start of returns from our overseas investment programme significantly strengthen our position as an international exploration and production company. The declaration of a maiden dividend is an indication of our confidence in the future."

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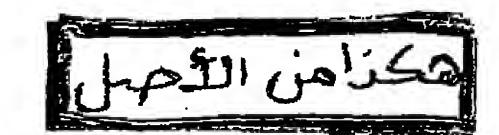
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#### COMMODITIES AND AGRICULTURE

## Cuba 'on target' for 4.5m-tonne sugar crop

By Pascal Fletcher in Havana

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Francisco Torri 

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Cuban government officials azy sugar production from Caba's 1995-96 cane harvest has already reached 2.5m tennes and they are openly confident that the island will athieve this season's official harvest target of 45m tonnes. . Tm sure of it. We're going to make it," Cuba's Sugar Min-

ister, Mr Nelson Torres, said. We've already reached 2.5m pnnes," he added He was speaking at the Mantel Isla sugar mill in Havana province, one of three of the

sland's 156 sugar mills that lave completed their producion plans more than a month before the scheduled end of the 1995-96 harvest Mr Torres' statement was an he said, adding that the unusually categoric expression

of confidence in this season's sugar harvest. Cuban officials are normally shy of making output estimates, especially before the harvest has ended. Government planners have linked the island's overall prospects for economic recovery this year directly to the achievement of the 4.5m tonne

sugar target, which is still far

below pre-1990 levels of between 7m and 8m tonnes. Last season's disastrous harvest of 3.3m tonnes, the lowest in more than 50 years, was a major black spot amid otherwise encouraging signs that Cuba might be slowly emerging from the severe recession caused by the collapse of its trade and aid ties with the former Soviet Union.

Cuba needs to increase its sugar production by at least 1m tonnes to meet existing heavy supply commitments and pay back more than \$100m in credits loaned by foreign banks and trade houses to finance essential inputs for the harvest. Its ability to obtain future credits depends on its successful fulfilment of the existing financing contracts. Mr Torres said that the

heavy rains that swept over Cuba a week ago, temporarily disrupting deliveries 113 mills, would set back the harvest schedule by a few days but would not threaten the sugar output target. "We've already recovered,"

national production level was back to where it had been before the rains, coming close to 50,000 tonnes a day. Foreign analysts have so far

remained cautious in their estimates for the 1995-96 Cuban crop, predicting ouput of closer to 4m tonnes than 4.5m. But most acknowledge that, thanks to improved inputs of fuel and fertilisers paid for by the foreign credits. Cuba has had more cane available to harvest this year.

Some analysts say the deteriorated state of Cuba's sugar mills could be a limiting factor but Cuban officials claim that indicators of milling efficiency and sugar yield levels have improved greatly this season.

## Honey market hits a sticky patch

Importers have borne the brunt of recent price rises, writes Alastair Guild

he world's honey markets are delicately balanced. Continuing uncertainty over production and supply have pushed raw honey prices up by over 50 per cent in the last 12 months alone. Total world demand, by contrast, has changed little over the last 20 years.

Sales have also remained largely unaffected by the latest surge in prices. UK retail sales having fallen a mere 1 per cent last year. But honey packers and importers have so far borne the brunt of the price increases. Raw honey prices are expected to continue to increase over the next few months. Nestle, the UK market leader is confident that honey in general, and its brand Gales in particular, will hold their

The former Soviet Union, the world's largest producer of honey, has until now been a minor player in world markets, exporting a mere 6,000 tonnes out of a total production of 231,000. This is unlikely to change in the near future, say European honey experts. though some samples of good quality Siberian honey have recently been sent to Europe for testing. There is continuing unease about levels of pollution in parts of the FSU, and uncertainty about provenance

China is the world's largest exporter and second largest producer, last year shipping 53 per cent of its total production of 150,000 tonnes. Chinese pro-

and continuity of supply.

duction is sold mostly for blending, into multifloral table honey, honey used for spreading by the domestic consumer. Multifloral table honevs account for 80 per cent of UK honey sales, the remaining 20 per cent being monofloral "spe-

ciality" table honeys. When China offloaded large stocks on to the world market in the early 1990s, the cif price paid by the European trade for a tonne of Chinese honey fell to \$700. The prices of honey from Argentina, Australia and Mexico, the other major bulk exporters, followed Chinese prices downwards.

The price of Chinese honey has now bounced to \$1,200. drawing the others up with it. Following the dramatic price fall the Chinese government introduced a system of export licences in an attempt to bring some order to overseas sales. But poor harvests, in China and elsewhere, have played perhaps the most significant part in pulling prices up to

present levels. The 1995 Mexican crop was more than 50 per cent down, Due partly to poor climatic conditions and partly to the demoralising effect on beekeepers of previous low prices, a world-wide phenomenon. Two important honey producing provinces had over 50 per cent of their beehives destroyed by hurricanes. The prices of other Central American honeys have risen in con-

sequence; those from Gua-

temala and El Salvador by over

25 per cent since September. Drought is having a lingering affect on harvests in both Australia and Argentina, while the impact of unusually heavy rains in China's northern provinces are expected to be felt at

least until the new crop is har-

vested in the early summer. There are at present 7.5m domestic bee colonies in China. with an average annual yield of 25kg. Some Chinese analysts have suggested the country could support as many as 25m hives on the strength of nectar availability.

hinese beekeepers are mostly small-scale. owning, on average. less than 50 hives. They generally migrate from south to north as the season progresses. often living in a tent next to the apiary and carrying their equipment with them. The government employs some 10,000 people to support production. But beekeepers face continuing cost increases, particularly for transport and treating bee dis-

"The low prices at the beginning of the 1990s put many Chinese off bee-keeping," says Mr Stephen Beaty, director, Fuerst Day Lawson Verney, the largest shipper of honey into the UK, and with a joint venture factory in north-east China. "We wait with interest to see the impact of higher prices on bee-keeper numbers.

China has been exploring alternative markets, with mixed success. The US is a

potentially promising market for Chinese honey. It has helped to compensate for a drop in sales of Chinese honey to Europe, and to Japan, the world's second largest importer, where there has been a decline in the popularity of

honey beverages. But China-US trade, which at one time reached 30,000 tonnes has dropped off to 20,000, curtailed by successful antidumping action and the imposition of significant import

The diversion of Chinese production to satisfy US demand at high prices - has, nevertheless, been partly responsible for the shortfall in supplies to Europe, and consequently the price rises. Another subject of concern

to China and traders alike is the possible repercussions of increase in domestic demand. Per capita consumption is now 100 grammes, but distribution within China is poor. An increase in consumption to 160 grammes, at present levels of production, would leave no honey for export. Were the Chinese, with increasing prosperity, to consume on average 250 grammes, the same as the Brazilians or Argentines. China would itself become the world's most

At present Germany enjoys that distinction. Of the 90,000 tonnes consumed in Germany. 70,000 are imported - approximately half of total European Union imports - though under

important market



EU beekeepers are concerned that they will be unable to compete when tariffs on third country imports are lowered.

10.000 tonnes of that is from cial beekeepers.

Germans have traditionally used significant amounts of honey for cooking, as well as spreading. Germany, which buys most of its honey from Mexico and Argentina, is also a significant market for "speciality", monoflora honeys. British-produced heather honey is particularly sought after, but New Zealand manuka honey. with scientifically proven medicinal, properties, fetches the highest premium in

Ешгоре. Total UK production is only 4,000 tonnes, compared with over 30,000 in France. Spain has over 1m commercial hives. twice the number of France, and more than 4,000 commer-

European beekeepers are concerned that they will be unable to compete when tariffs on imports from third countries are lowered, then removed, further jeopardising an industry already badly affected by the spread of disease, says Mr Ged Marshall, a director of British Honey Producers and vice chairman of Copa, the organisation of EU farming unions.

"The trade's requirements remain the same," says Stephen Beaty, who quite regularly receives samples from producers in India and Africa. "They are potentially quite significant exporters, but have yet to meet our criteria, on quality. price or both."

Companies

dropped from

gold mine index

Three South African

companies have lost their

places in the Financial Times

Gold Mines Index because

each of their annual produc-

tion levels have fallen below

## N Sea oil prices up again

By David Lascelles

Oil prices moved up again yesterday, with North Sea crude topping the \$20 a barrel mark for the first time this year. The price of dated Brent crude closed at \$20.431/2 up \$1.13. Brent for May delivery

was at \$18.79, up 78 cents.

The major factor in the market was the stickiness of negotiations in New York over the possible resumption of deliveries of oil from Irag for humanitarian reasons. Talks were continuing at the UN last

#### Destocking gives the nickel market a 'breathing space' By Kenneth Gooding, Mining Correspondent

The nickel market had gained a "breathing space" because of the present spate of destocking by consumers of stainless steel which accounts for two thirds of demand for nickel. But it would soon become "tight and excited", warned Mr Ivor Kirman, marketing director of Inco Europe, part of the western world's biggest nickel

group, yesterday. He said this excitement could be expected once stainless steel production was clearly back on a growth track again, possibly in the second

Mr Kirman pointed out that, even though London Metal Exchange stocks had fallen steadily from a peak of 150,000 tonnes in 1994 to below 40,000 tonnes. Inco believed that total

half of this year or in

global nickel stocks had been rising in recent months. Some of this stock was held by producers but he also suspected that sizeable amounts of nickel were in the hands of "disappointed players who bought nickel in anticipation of stron-

ger demand." Mr Kirman suggested that the metal markets had changed now that investment funds were taking an interest. In the main, this had been a

positive development. He said. metals markets also implied for example, that every part of that "the floor price for metals the physical nickel business is no longer the price at which the highest-cost producer stops had been helped by the intervention of the funds late in producing but the price at 1993 and early in 1994. Without which the independent finanthat intervention, nickel prices cier sees good value and is prewould have remained pared to buy." The "downside" to the funds depressed for much longer and

demand emerged at the end of

the industry would have been

destabilised when strong

The funds' involvement in

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short term volatility and also their actions were difficult to

JOTTER PAD

involvement, said Mr Kirman,

was that they created more

the required 300,000 troy The companies affected are

Buffelssontein. Kinross and Winkelbaak.

#### COMMODITIES PRICES

BASE METALS **LONDON METAL EXCHANGE** (Prices from Amelgamated Metal Trading) R ALUMINIUM, 99.7 PURITY (\$ per tonne)

	Cash	3 mths
Close	1602-03	1834-84.5
Previous	1810.5-1.5	1640-1 1641/1 <b>62</b> 8
High/low AM Official	1600/1598 1599-1600	
Kerb close	1000-1000	1632-34
Open Int.	216,232	IONE OF
Total daily turnover	126.371	
M ALUMINIUM ALLO		rie)
Close	1350-60	1392-97
Previous	1387-72	1404-5
High/low	1357	1405/1392
AM Official	1355-57	1395-97
Kerb close		1392-97
Open inL	5,190	
Total daily turnover	2,157	
LEAD S per tonne	<u> </u>	
Close	883-6	808-9
Previous	850.5-2.5	803-4 814/802
High/low	885 884-5	807-9
AM Official Kerb close	00-0	B12-13
Open ML	41,264	
Total delly turnover	18,497	
MICKEL (S per ton		
Close	8015-25	8120-30
Previous	B010-15	8100-10
High/fow		8170/8100
AM Official	8040-50	8160-70
Kerb close		8120-25
Open Int.	41,241 9,549	
Total daily turnover	A'24A	
TIN (5 per torare)		2-24-222
Close	6160-70	6195-200 6150-70
Previous	6120-40 6150/6148	6240/6180
High/low AM Official	6148-50	6170-75
Karb close		6210-20
Open int.	16,455	
Total daily turnover	4,812	
ZINC, special high	grade (S pe	ar torviel
Close	1072-3	1095-6
Previous	1081.5-2.5	1102-3
High/low	1078 1077-78	1105/1096 1100-0.5
AM Official	1011-18	1097-98
Kerb close	71,430	
Open int. Total daily furniover	18,220	
COPPER, grade A	_	)
	2559-81	2544-45
Ciose Previous	2556-8	2540.5-1.5
Highliow		2547/2540
AM Official	2567-68	2547-48
Kerb close	404 07-	2545-46
Open Int.	181,971 83,242	
Total daily turnover		
LIME AM Official	LINE: 1"2901	
Spot: 1.5305 3 anths: 1.52	81 6 miles 1.5	258 9 miles: 1.5238
HIGH GRADE CO	PPER (COME	×)
Sett Day's		Open
price change	tigh Lo	
		A 027 3 059

113.30 +0.80 113.30 112.70 PRECIOUS METALS E LONDON BULLION MARKET (Prices supplied by N M Rothschild)

+0.90 115 50 114.40

\$ price £ equiv SFr equiv 394,60-385.00 Ciose 396,00-396,40 Opening 489,40 258.58 395.45 Morning fix 468,07 257.85 394.00 Afternoon fix 395.00-396.40 Day's High 393.80-394.20 Day's Low Previous close 395,80-396.00 Loco Ldn Mean Gold Lending Rates (Vs US\$)

12 months .....

2 months. 4.03 3 months . 555.00 362.75 560.25 Spot 386.75 3 months 568.05 578.35 371,05 6 months 390.15 1 year £ equiv. 5 price 257-259 Gold Cobe 394-397 Krugerrand 405.10-407.65 Mapple Leaf New Sovereign

Precious Metals continued E GOLD COMEX (100 Troy oz.; 5/troy oz.) 399.9 397.5 3,968 50,220 -0.6 402.2 400.4 1,667 12,872 -0.6 404.2 405.8 1,906 5,134

-0.6 407.4 406.0 1,799 15,229 28,485 294,499 PLATINUM NYMEX (50 Troy, oz.; \$/troy oz.) -0.0 418.5 415.0 587 8,358 -0.8 419.0 419.0 154 1,935 -4.2 562.0 -4.5 587.0 563.5 187 7,470

**ENERGY** E CRUDE OIL NYMEX (42,000 US gails, S/barrel 18,94 18,64 10,660 44,629 18.44 +0.20 18.50 18.32 1.505 25.013 18.13 +0.12 18.25 18.07 1.815 18.224

+0.20 16.90 16.66 16.72 +0.16 16.77 16.51 955 3.457 50.85 +0.53 50.90 50.70 51.30 +0.38 51.60 51.10 118 2,898

157.50 +4.00 157.00 154.75 MATURAL GAS NYMEX (10,000 mmBbL; ShomBbL) 2,500 2,380 13,800 25,081 2.300 +0.065 2.306 2.240 7,822 25,302 2.115 +0.035 2.120 2.090 2,860 16,928 2.035 +0.025 2.040 2.010 1,493 13,743

2000 +0.022 2005 1.965 1,171 13.513

1,955 +0.007 1,960 1,945 1,704 10,461 32,178 154,722 W UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.) +0.83 64.50 62.80 12.839 27,361 +1.15 83.60 61.90 9.529 24.402 +0.60 61.65 60.40 2,483 8,616 59.06 +0.50 59.55 58.75 1,035 7,044 57.50 +0.80 57.70 57.00 258 3,970 55.30 +0.45 55.35 54.85 292 1,124 28,440 73,452

GRAINS AND OIL SEEDS ■ WHEAT LCE (£ per tonne)

1,506 392 - 111.50 111.30 22 113.20 +0.45 113.25 113.00 377 473.75 +1.50 476.00 467.00 8,290 25,481 442.25 +1.25 444.00 437.50 15,025 43,891 +2.5 388.00 380.00 51,036 196,343 375.00 +1.75 375.50 370.50 16,734125,679 328.50 +1,25 327.00 322.75 2,386 37,286 314,25 +1 315.00 310.00 9,676 90,134 +1 320.00 315.00 188 7,777 BARLEY LCE (C per torme)

+2.25 735.00 727.50 7,959 51,367 +2.5 735.00 728.00 +1 727.50 721.00 349 3,846 +4 726.00 715.00 7.973 54.980 +0.06 24.65 24.35 14,798 34,512 **- 25.02 24.82 5,162 26.023** 25.28 -0.02 25.35 25.18 -0.01 25.45 25.30 226 SOYABEAN MEAL CET (100 tons; \$/ton) -0.2 221.5

All futures deta supplied by CMS.

Tea There was improved and more general demand this week reports the Tea Brokers Association. Landed: bright East Africans were fully firm to So dearer, while coloury mediums also gained 2 to 5p. Plainer teas were firm. Offshore: met. good competition at mainly dearer rates particularly coloury sorts. Quotations: Best available: 145-161p/kg. Good: 130-145p/kg. Good medium: 120-130p/kg. Medium: 96-107p/kg. Low medium: 82-930/kg. Tee for price rig. Highest price realised this week was 161p/kg for a kerrya pf.1.

**SOFTS** MEAT AND LIVESTOCK LIVE CATTLE CME (40,000fbs; cents/fbs) ■ COCOA LCE (E/tonne) 914 1,271 16,611

65.250 -0.025 65.300 64.950 7,857 25,562 64,350 -0.150 64,575 64,150 4,387 28,680 63.200 -0.125 63.325 62.950 2,106 14,779 - 63.975 63.750 1,039 10,715 62.725 -0.025 62.800 62.600 595 18,775 638 40,335 62,675 +0,025 62,775 62,650 89 3,172 5,376 153,297 16,895 90,186 ■ COCOA CSCE (10 tonnes; \$/tonnes) LIVE HOGS CME (40,000bs; cents/lbs) 49,975 +0.500 50,050 49,075 2,246 10,956 53.825 +0.350 53.900 53.125 3,029 14,425 1254 1246 1,089 21,803 1272 +8 1277 1272 170 12,281 51,400 +0.475 51.450 50.575 45.250 +0.250 45.400 44.925 III COCOA (ICCO) (SDR's/tonne PORK BELLIES CME (40,000lbs: cents/lbs) 68.150 +0.250 68.800 67.200 65.350 +0 625 65.750 64.300 61.400 +0.525 62.100 60.800 51.175 -0.175 62.400 61.075

LONDON TRADED OPTIONS (99.7%) LME 120.85 +2.40 121.20 119.30 5,257 15,920 118.45 +2.35 118.45 117.25 259 3,585 117.15 +2.40 117.50 116.25 42 1.633 116,95 +1.70 116,00 116,00 24 420 ■ COFFEE (ICO) (US cents/pound) 106.11

329.3

+0.05 10.33 10.28 211 4,214

10.19 10.15 85 1.780

3 745

335.0

+4.1 317.0 315.0

E SUGAR '11' CSCE (112,000fbs; cents/fbs)

+0.05 10.42

+0.06 79.95 79.67

134.25 -0.85 136.00 134.25 961 16,893

**- 128.00 127.25** 

+0.25 125.50 125.20

Open Interest and Volume data shown for

contracts traded on COMEX NYMEX CBT.

NYCE, CME and CSCE are one day in arreers.

month ago year ago

month ago year ago

2313.0

2148.0

Mar 14 month ago year ago

250.15

194.04

80.50 +0.02 90.80 80.65

81.10 +0.05 81.27 81.27

133.40 -0.30 134.85 133.30

+0.25

■ REUTERS (Base: 18/9/31=100)

**■ CRB Fatures (Base: 1967=100)** 

■ GSCI Spot (Base: 1970=100)

Mar 15

2139.1

247.90

Total

**VOLUME DATA** 

**INDICES** 

2138.5

COTTON NYCE (50,000lbs; cents/lbs

LONDON SPOT MARKETS ■ CRUDE Off. FOB (per parrel) \$17.00-7.06x \$20,40-0.47 \$18,78-8.80 \$20.69-0.70 M OIL PRODUCTS MWE prompt delivery CIF (tonne) \$186-188 \$107-109 \$172-173

e other Gold (per troy oz)--4.00 553,50c Silver (per troy az) 🖡 -0.75 \$410.75 Pisturum (per troy oz.) -0.75 \$138.00 Palladium (per troy oc.) 124.0c 45.00c Lead (US prod.) Tin (Kuala Lumpur) 120,37p Cattle (ine weight) 147.58p +10.93 Sheep (live weight) to 108.440 +1.25\* Pigs (live weight)† \$322.B Lon, day sugar (raw) \$401.4 Lon. day sugar (wite) 113.25 Barley (Eng. feed) Maize (US No3 Yellow) 146,5z Wheat (US Dark North) Ung. 105.00a Rubber (Apri¥ 104.25p Rubber (May) 389.00m -3.50 Rubber (KL RSS No1)

Wookers (548 Super) 4400 £ per torme unites otherwise stated, p pence/kg, a centa/ib.
r ringgs/kg, m Maksysian centa/kg, x May, v Apr/May, y Apr/
stand London Physical. 5 CEF Potestan. ‡ Sutten market ciose, & Sheep (Leve weight prices). " Change on week 19tices are for previous week.

Coconest Oil (Phil)§

Palm Oil (Malay.)§

Cotton Outlook'A' Index

Copra (Phu)§

Soyabeens (US)

\$720.0v

\$522.5y

457.0

208.0

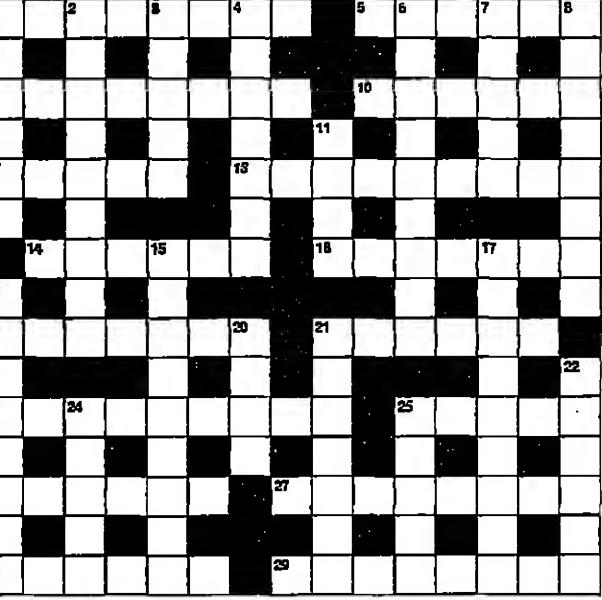
83.70

-2.5

-5.0

No.9,022 Set by DOGBERRY

**CROSSWORD** 



1 Right side getting about a bit 5 Doctor lout outside the Boar's Head - rugby player perhaps

9 Affected composer producing lots of records (8) 10 Headless horsy eating top of citrus fruit (6) 12 Gas alien woman (5)

14 State in decline turns quiet 16 Damaged pylon? Try to get into shape (7) 19 Quoted in true display of memory (7)

18 Plait in an awful jam (9)

21 Girl back in gaol in the 17 It scatters mock silence in the islands (6) 28 Composer's dozen? Double it perhaps (9) 25 Guide prophet round junction 20 Music-maker rising somewhat

26 Compiler in the money 21 Ringer with a delusion (7) acquires bond (6) 27 Hopes dashed in seat at saucy

display (4-4) 28 Must of paradise is found in whisky whisky .... (6)

29 It always turns into eccentric supporter (8)

25 Sentimental agent accepts work (5)

German republic (6)

1 It's yellow and soft in the bog

2 A trainee with indigestion

keeps house for addict (9) 3 Not one to give up German

4 Went too far, making poet eat

6 Love, being in control, to hold

7 Turning round, thrust point

8 Hot about soldiers, like a

15 One note on religion to shout

18 Generator making up record

22 Made drink from sheep in the

24 Wanderer's unhinged? No.

just changing places (5)

red pulp (7)

up the song (9)

into instrument (5)

techage voice (8)

about, people! (9)

poet's cave (9)

petulantly (4)

11 Skip 1984, say? (4)

Solution to Saturday's prize puzzle on Saturday March 30. Solution to yesterday's prize puzzle on Monday April 1.

## Part of recent losses regained

By Samer Iskandar in London and Lisa Bransten in New York

International government bonds took a respite yesterday from last week's gloom and recovered part of their recent losses. However, traders are still divided over the future direction of yields,

Although economic fundamentals point to the need for further rate cuts in Germany. France and possibly the UK. some analysts continue to fear a repeat of 1994, a very bad year for most bond markets. Economists at Deutsche Mor-

gan Grenfell predict that "the bull market is over for now and, by year-end, yields should be higher". They also expect German yields to be below those on US Treasuries.

This last view is shared by Mr Simon Briscoe, an economist at Nikko in London. According to him, the crossover of German and US yields should pave the way for a decoupling of European bonds from US Treasuries.

■ UK gilts opened lower following last Friday's weak performance, but climbed steadily throughout the day. The benchmark 71/2 per cent gilt due 2006 ended 4 higher at 95월. Liffe's June 10-year gilt future settled at 105 up 3. Signs of a change in senti-

weeks of pessimism and instability in the market. Yesterday's rise, although modest, shows that "last Friday's pessimism was overdone", said Mr Briscoe at Nikko. He expects the next few

ment are appearing, after two

weeks to be more positive for European markets. Capital flows from the Far East should favour Europe. and the UK in particular, over the US market in the new Japanese fiscal year, which starts

on April 1. In the medium term, Mr Briscoe expects a shift in next year's annual funding to shorter-term securities (two to fiveyear maturities). Longer dated paper would benefit from such

a decision, which could lead to a flatter UK yield curve.

■ German bunds closed slightly higher, but off the peaks reached earlier in the day, as the market was hit by rumours that the rate of growth of the M3 monetary aggregate in February would be higher than anticipated, possibly "in double digits" according to some analysts. Liffe's June 10-year bund future settled at 95.38, up 0.05. A rumour also circulated about the possibility of a twopercentage point rise in VAT to 17 per cent early next year, in order to bolster state finances.

#### GOVERNMENT BONDS

However, market participants are still bullish and expect future data releases to continue to show weak economic activity.

widely expected, possibly as soon as March 28, but economists warn that it might be delayed if the market remains unstable or the M3 data is exceptionally strong.

Nikko's Mr Briscoe forecasts M3 growth at around 9 per cent, above the Bundesbank's target range of 4 to 7 per cent.

French bonds rallied in line with other European markets. The Matif's June notional future ended up 0.40 at 120.56. in technical trading, mostly due to the rolling of positions out of March contracts into the new June maturity.

In the cash market, the benchmark 7% per cent OAT due 2006 closed up 0.35 at 103.92, yielding 6.70 per cent. This brought the spread over 10-year bunds to 16 basis points, a level considered "not sustainable" after several weeks of tightening.

Analysts are now expecting it to start widening, although "what it will take to trigger [the widening] is not obvious".

said Mr Jonathan Davies, a bond analyst at UBS Ltd. One such trigger could be a "resumption of the rally in

European bonds", said Mr Davies, who believes the strength of the French market is mostly due to domestic switching from tax-free savings accounts - on which rates were recently lowered from 4 per cent to 3.50 per cent - into life insurance contracts and other guaranteed-return funds invested in long-term bonds.

**US** Treasury prices rebounded from Friday's losses in quiet trading yesterday as the market continued to grapple with uncertainty about the strength of the economy. In the afternoon, the bench-

mark 30-year Treasury was up A at 90분 to yield 6.738 per cent. At the short end of the maturity spectrum the two-year note was unchanged at 98%. yielding 5.88 per cent. Observers expect the market

to remain volatile as traders A cut in the discount rate is continue to reassess their views about the economy and the potential for inflationary pressures in the wake of sur- E Swedish bonds rallied prisingly strong employment figures released at the beginning of the month.

Mr Thomas Poor, who manages short-term bond portfolios at Scudder Stevens & Clark. sees the market as a see-saw balanced between those who believe the jobs figures are a sign the economy is about to take off and those who think the number was an aberration in a slowing economy.

While the see-saw may be slightly tilted towards those fearful that economic growth is on the rise. Mr Poor said he believes the employment figure was "just a hitch, and we will have a soft landing with a contract settled at 93.36, up period of slow growth". Today's figures on February

retail sales will be closely watched for signs of whether growth in consumer spending will spur economic growth. Next week, the Federal Reserve's Open Market Committee is due to consider mone-

tary policy. In a survey of Fed-watchers last Friday by MMS International, 57 per cent "still expect the Fed to ease policy through the remainder of the year". However, this is down from "nearly all Fedwatchers prior to the February employment report released on March

■ Japanese government bonds ended lower despite a rise in the Nikkei share index. The June 10-year JGB future closed at 118.69, down 0.21, and the June contract on five-year

notes fell 0.07 to 112.79. Sales by institutional investors weighed on the market as the volume of transactions remained very low, which is traditional around the fiscal

year-end. In the past few weeks, JGBs have been immune to the turmoil which affected US and leading European markets. Japanese 10-year yields fell by about o basis points over the past few days, making JGBs the best performing bond market so far in March.

sharply as traders welcomed the outcome of last weekend's Social Democratic Party congress. Optimism over the SDP's determination to tackle public deficits pulled the benchmark 6 per cent bond due 2005 up 1.83 to 82.79, yielding 8.88 per cent. This yield has decreased by 30 basis points in the last week.

■ Other European high-yielders also closed higher. Spanish markets were bolstered by hopes that the Popular party may be able to form a government with the support of Catalan nationalists.

On Meff the June futures 0.78 on the day, while in the cash market the 10-year yield spread over bunds narrowed to 351 basis points, from 358 points late on Friday.

A stronger lira buoyed the Italian markets. Liffe's June 10-year BTP future settled at 108.67, up 0.22

#### Discount pricing for Kenya Airways

By Joel Kibazo

Kenya Airways, the stateowned carrier which is being privatised, yesterday announced that its shares will be priced at Ks11.25 a share, in the country's largest share

The offer for 48 per cent of the company has been priced at a deep discount to the asset value of Ks17.38 a share in a bid to ensure that a wide cross-section of the Kenyan public can participate in the sale. The company is valued at around \$100m.

Analysts expect the fourweek offer, which opens next Monday, to be oversubscribed. Around 34 per cent of the stock has been set aside for the Kenyan public and institutions and 14 per cent for international investors, particularly the growing band of specialist Africa funds.

KLM, the Dutch national carrier, bought a 26 per cent stake in the carrier last January, beating competition from both British Airways and South African Airways.

The government is to retain 23 per cent of the newly privatised company while 3 per cent of the shares will be retained for an employee share ownership scheme.

A long history of mismanagement at the 17 year-old airline saw losses hit \$50m in 1992, before a new management team led by Mr Brian Davies, a former general manager at British Airways. helped bring about a recovery. The company reported profits of \$17m last year and analysts expect it to comfortably beat projections of \$22m this year. The sale on the Nairobi stock exchange will be the biggest in its 42-year history and is expected to reverse the slide seen in the index over the last

15 months.

## Improving tone prompts European bank offerings

By Richard Lapper

The improving tone in government bond markets helped stimulate primary issuance yesterday, with European banks particularly prominent. Syndicate managers said the markets had now fully dis-

counted recent shifts in interest rate expectations and investors were becoming less defensive in their approach. Mr Joseph Dryer, head of new issues at Paribas Capital Markets, said: "The wild swings we were seeing 10 days ago have smoothed out. The markets have begun to regain

their composure." Paribas was book-runner on two issues - a \$200m deal for KfW, the German reconstruction agency, and with Caisse des Dépôts, a FFr3bn issue for Abbey National Treasury Services, the funding arm of the UK bank.

The four-year KfW deal. priced at 5 basis points over the interpolated curve, was targeted primarily at retail investors, while demand for the 10year Abbey National issue had come mainly from French

insurance companies and pension funds.

The spread on the Abbey National paper widened fractionally - from 18 to 19 basis points over OATs - when the bonds were freed to trade. Proceeds were swapped to yield funding at a few basis points under Libor.

INTERNATIONAL BONDS

\$200m three-year deal for DePfa Bank, the German mortgage bank, was also targeted at retail investors. By mid-afternoon 40 per cent of the paper had been placed, according to syndicate managers at BNP Capital Markets. Launched at 15 basis points

on the re-offer price (and 23

basis points at full fees), the spread moved out to between 1814 and 1914 points when the bonds were freed to trade. Interest in a \$150m deal for Indorayon International Finance, the funding arm of PT Inti Indorayon Utama, an Indoducer, was heavily institutional, according to syndicate managers at book-runners SBC

Warburg. The company, which specialises in processing dissolving pulp, is one of a handful of Indonesian corporates explering the fixed-rate sector as in alternative to syndicated looks and floating-rate notes.

Rated BB by credit rating agencies, the Indorayon fiveyear issue is puttable and calable at par within three years and is priced at a spread of 35 basis points over Treasuries. The spread on a recent Indinesian deal - a five-year Rue 144a global registered not issue made last week by Mat-

hari Putra Primar - has natrowed to 475 basis points, from 520 points at launch. Romania, which earlier this month received credit ratings is to issue a eurobond and a samurai in the first half of this year, Merrill Lynch and Nomura have been mandated: to lead manage the inaugural issues by the National Bank of Romania, which is being tipped

to raise up to \$150m with each

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I HAVE TO A

Borrower US DOLLARS	Amount Th.	Соцроп %	Price	Maturity	Fees %	Spread bp	Book-runner
ACCMT IL S 96-B, Tot A(a)#	848,75	(a1)	100.00R	Aug 2004	0.375R	-	JP Morgan Securities
MMCCT IL 8 96-B, Cls A(b)‡	435	(b1)	100.00	Mar 2006	-	50	Leitman Brothers
KfW international Finance DePfa Benk	200 200	6.125 6.125	99,64R 99,696R	Apr 2000 Apr 1999	0 225R 0.2125R	+5(i) +15(396-39)	Paribas Capital Markets BNP Capital Markets
indongyon ind Finance(c)	150	10.00	99.53R	Mar 2001	1.008		SBC Warburg
D-MARKS Rheiniacha Hypo(d)	500	5.50	98.065	Dec 2001	0.275		Commerz/DrescherAIPM/US
SWISS FRANCS							m . Ma Martina
Helpha Finance(e) Bayerische Landesbank(f)	4 <u>00</u> 100	3.75 4.00	102.60 103.35	Dec 2000 Mar 2001	2.00 2.00		Credit Suisse Mentil/Zürcher KB
FRENCH FRANCS Abbey Nati Treasury Services	3bn	6.75	99.11R	Apr 2005	0.35R	+18(714%-06)	Banque Paribas/COG
LUXEMBOURG FRANCS CCBP	2bn	5.75	102.60	May 2000	1.625	_	BCEE/84L
ITALIAN LIRE Deutsche Bank Finance	200bn	9.25	100.955	Apr 1998	1.125		Deutsche Morgan Granfell
ESCUDOS Kingdom of Sweden‡	10bn	(g)	100.00	Apr 2001	undisci		Banco ESSI

Peper wrant substitution from fitting with the post of the fitting in the post of	material is the computer mone is in the contract of the contra	with SFr150m. Plus 30 days accrued, (1) 3-mith Lisbor +6.250p; max 10% from 9/1/98. (1) Over interpolated yield
WORLD BOND PRICES		
BENCHMARK GOVERNMENT BONDS	BUND FUTURES OPTIONS (LIFFE) DW250,000 points of 100%	FT-ACTUARIES FIXED INTEREST INDICES
Red Day's Week Month Coupon Date Price change Yield ago ago	Price Apr May Jun Sep Apr May Jun Sep	Price Indices Mon Day's Fri Accrued vd adj. — Low coupon yield — — Medium coupon yield — — High coupon yield — UK Gilts May 18 change % May 15 innerest yid May 18 May 15 Yr, ago May 18 May 15 Yr, ago May 18 May 15 Yr, ago
Australia 10.000 02/06 106.1720 -0.680 9.05 9.09 8.13	9500 0.55 1.11 1.37 1.36 0.17 0.73 0.99 1.83	1 Up to 5 years (23) 121.61 - 121.61 2.28 1.87 5 yrs 7.52 7.53 8.41 7.57 7.58 8.44 7.86 7.67 8.59
Austria 5.125 02/06 96.2500 +0,300 6.65 6.68 8.75  Beiglum 7.000 05/06 100.5700 +0,050 8.92 7.33 8.51	9550 0.25 0.83 1.08 1.13 0.37 0.95 1.20 2.10 9600 0.08 0.60 0.84 0.93 0.70 1.22 1.45 2.40	2 5-15 years (20) 145.36 +0.14 145.16 2.87 1.69 15 yrs 8.29 8.31 8.35 8.30 8.32 8.45 8.41 8.44 8.87 3 Over 15 years (3) 157.58 +0.28 158.19 1.73 3.48 20 yrs 8.37 8.40 8.33 8.37 8.39 6.45 8.48 8.49 8.61
Canada * 8.750 12/05 106.5400 +0.170 7.77 7.92 7.06 Denmark 8.000 03/06 101.9800 +0.160 7.71 7.74 7.26	Est. vol. 1015L Calls 15658 Puts 11690, Previous day's open art., Calls 234468 Puts 205691	4 traclearnables (6) 181.52 -0.09 181.69 4.37 0.00 trad.† 8.45 8.44 8.38
France BTAN 5.750 03/01 99.2500 +0.130 5.93 5.75 5.47 OAT 7.250 04/06 103.9200 +0.350 6.70 6.65 6.50	italy	5 All stocks (58) 140.66 +0.11 140.65 2.50 2.06
Germany Bund 6.000 02/06 96.1600 +0.130 5.54 6.52 6.05	W NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LF干記) Life 200m 100ths of 100%	Index-linked Mar 15 Yr, ago Mar 18 Mgr 15 Yr, ago
Ireland 8.000 08/06 99.3000 -0.400 8.09 8.08 7,45 taly 9.500 02/06 93.9500 +0.120 10.50† 10.51 10.01	Open Sett price Change High Low Est. vol Open int.	6 Up to 5 years (1) 196.47 +0.05 196.37 3.49 0.00 Up to 5 yrs 3.04 3.06 3.57 1.83 1.84 2.30 7 Over 5 years (11) 183.56 +0.08 183.41 0.99 0.98 Over 5 yrs 3.80 3.80 3.85 3.61 3.62 3.67
Japan No 129 6.400 03/00 117.0880 -0.060 1.81 1.80 1.85 No 182 3.000 09/05 98.6160 -0,220 3.19 3.20 2.94	Jun 108.30 108.67 +0.22 108.65 108.11 27860 53082	8 All stocks (12) 783.73 +0.08 183.55 1.04 0.95
Netherlands 6.000 Q1/06 95.9400 +0.320 6.57 6.52 6.09 Portugal 17.875 Q2/05 111,8700 +0.070 8.81 8.83 9.45	Sep - 108.12 +0.17 0 0  I ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (UFFE) Line200m 100ths at 100%	Average gross redemption yields are shown above. Coupon Bends: Low: 0%-7%%; Medium: 8%-10%%; High: 11% and over, 1 Past yield, you Year to date.
Spain 10.150 01/06 99.7500 -0.210 10.02 10.07 9.65 Sweden 6.000 02/05 82.7860 +1.830 8.88 9.17 8.79	Strike CALLS PUTS	
UK Gits 8.000 12/00 102-05 - 7.44 7.50 6.92 7.500 12/06 95-21 +6/32 8.11 8.12 7.64	Price Jun Sep Jun Sep 19650 1.96 2.50 1.79 2.88	
9.000 10/08 105-00 +8/32 8.22 8.24 7.78	10900 1.68 2.29 2.01 3.16	FT FIXED INTEREST INDICES  War 18 Mar 15 Mar 14 Mar 13 Mar 12 Yr ago High Low Mar 15 Mar 14 Mar 13 Mar 12 War 17
US Treesury 5.625 02/06 94-09 +5/32 6.41 6.39 5.66 6.000 02/26 90-28 +16/32 6.71 6.70 6.14	10950 1.45 2.07 2.28 3.45 Est. vol. total, Calls 1238 Puts 445. Previous day's open int., Calls 53040 Puts 45305	Govt. Secs. (UK) 92.22 92.30 92.40 92.31 91.97 91.88 95.34 90.22 Gift Edged bargains 91.0 118.8 107.4 214.9 129.30
ECU (French Govrt) 7.500 (94/05 101.3400 +0.270 7.29 7.22 6.91  London closing, "New York mid-day Yields: Local market examinate."	Spain	Fixed Interest 110.55 110.74 110.88 111.25 111.12 110.29 115.23 108.77 5-day average 132.6 148.2 143.4 149.2 182.40
† Gross (including withholding lax at 12.5 per cent physiole by norvenidents)  Proces: US, UK in 30nds, others in decime!  Source: MMS International	M NOTIONAL SPANSH BOND FUTURES (MEFF)	" for 1995/96. Government Securities high since complication: 127.4 (09/01/36), fow 49.18 (03/01/75). Fixed interest high since complication: 133.87 (21/01/94), low 50.53 (03/01/75), Basis 100: Government Securities 15/10/26 and Fixed interest 1928. SE activity indices released 1974
	Open Sett price Change High Low Est. vol. Open int.	
US INTEREST RATES  Treasury Bills and Bond Yields	Jun 92.65 93.36 +0.78 93.38 92.35 36,459 40,412	FT/ISMA INTERNATIONAL BOND SERVICE
One month 5.25 Two year 5.85 Priors rate 814 Two month 5.23 Three year 5.97	UK	Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on March 18
Froker from rate 7 Three month 5.14 Three year 6.13 Fed finits 5.5 Six sponth 5.22 10-year 8.41	Open Sett price Change High Low Est. vol Open Int.	Issued Bid Offer Chg. Yield Is
Fed.hards at intervention One year 5.47 30-year 6.70	Mar 105-18 105-31 +0-09 105-30 105-18 6447 11652	Abbey Nett Treasury 612 03 1000 983s 985s -1s 6.79 United Kingdom 71s 97 5500 105 1051s 3.84 Alliance Leics 113s 67 £ 100 105 1051s 8.63
	Jun 104-22 105-01 +0-09 105-04 104-14 23821 113085 THE LONG GILT FUTURES OPTIONS (LIFFE) \$50,000 64ths of 100%	ABN Amio Bank 7 <sup>1</sup> 4 05 1000 101 <sup>1</sup> 5 101 <sup>1</sup> 5 1 <sup>1</sup> 6 7.13 Volkswagen hal Fin 7 03 1000 101 <sup>1</sup> 4 102 + <sup>1</sup> 9 6.66 British Land 8 <sup>7</sup> 4 23 £ 150 87 <sup>1</sup> 5 87 <sup>1</sup> 4 - <sup>1</sup> 2 10.52 African Day 8 <sup>1</sup> 6 7 <sup>1</sup> 5 23 500 87 <sup>1</sup> 6 88 <sup>1</sup> 8 7.57 World Bank 0 15 2000 28 <sup>1</sup> 4 28 <sup>1</sup> 5 - <sup>1</sup> 2 6.51 Denmark 6 <sup>1</sup> 4 98 £ 800 99 99 <sup>1</sup> 5 7.19
	Strike CALLS PUTS	Alberts Province 7% 98 1000 103½ 100½ -½ 6.22 World Bank 5% 03 2000 97¾ 97% 6.25 EB 8 03 E 1000 99 99¼ 8.18  Asian Der Bank 5¾ 05 750 96½ 96¾ 8.26  GLAXO WELL COME 8¾ 05 E 500 100⅓ 100⅓ 14, 8.72
BOND FUTURES AND OPTIONS	Price Apr May Jun Sep Apr May Jun Sep   105	Autoria 8 <sup>1</sup> 2 00 400 107 107 <sup>1</sup> 4, - <sup>1</sup> 8 6.38 SWISS FRANC STRAIGHTS Hierson 10 <sup>1</sup> 8 97 £ 500 104 <sup>5</sup> 8 104 <sup>7</sup> 8 7.13 Bacten-Wuert L-Fin 8 <sup>1</sup> 8 00 1000 105 <sup>5</sup> 8 105 <sup>7</sup> 8 - <sup>1</sup> 8 6.42 Asien Dev Berik 0 16 500 34 <sup>1</sup> 4 34 <sup>1</sup> 4 5.54 HSBC Holdings 11.69 02 £ 153 114 <sup>1</sup> 4 114 <sup>1</sup> 8 8.66
BANK TATION WIN ALIGIN	106 0-09 0-46 1-08 1-24 1-07 1-44 2-04 3-28 197 0-02 0-26 0-47 1-04 2-00 2-24 2-45 4-08	Bank Ned Gemeenten 7 99 1000 10014 10212 -1 6.23 Austria 412 00 1000 10414 105 3.18 #24 1012 14 E 400 10674 10914 +14 9.45
France	Est. vol. total, Calls 1221 Puts 2287. Previous day's open Int., Calls 48928 Puts 31779	Seight 5½ 03 1000 92½ 92½ 1 <sub>8</sub> 6.78 Denmark 4½ 99 1000 104 104½ 3.03 Land Sect 9½ 07 £ 200 102½ 102½ 102½ 102½ 102½
MOTIONAL FRENCH BOND FUTURES (MATIF) FF(500,000	Ecu	British Gas 0.21 1500 137s 1474 8.01 El8 67s 04 300 1127s 1127s 4.89 Powergen 87s 03 5 250 1017s 1017s 8.56
Upen Sett price Change High Low Est. vol. Open int.	ECU BOND FUTURES (MATIF) ECU 100,000	Canada 6½ 05 1500 97½ 97¼ -½ 6.91 Finland 7½ 99 300 112½ 112½ 3.52 Sevent Tient 11½ 99 £ 150 110½ 110½ 12 7.72 Canada 6½ 97 2000 100½ 100¼ -½ 5.95 Icaland 7½ 00 100 114½ 115 3.94 Tokyo Etc Power 11 01 £ 150 112 112½ 8.07
Mar 120.66 120.66 - 120.80 120.64 19,351 43,757 Jun 120.12 120.56 +0.40 120.70 120.08 108,797 129,126	Open Sett price Change High Low Est. vol. Open int. Mar 58.64 88.80 +0.12 89.00 88.60 331 2,705	Ching for 52 98 500 95% 96% -18 7.22 Inter Armer Dev 4% 03 800 100% 100% 100% 100% 100 For 9% 02 NCS 75 100% 104% 18 8.57  Ching 612 04 1000 90% 94% 94% 7.71 Origino 6% 03 400 100% 110% 12 1.60 What Bent 121, 97 NCS 250 100% 105% 1.887
Sep 118.90 119.36 +0.40 119.46 118.90 272 2,448  ILLONG TERM FRENCH BOND OPTIONS (MATIF)	Mer 88.64 88.80 +0.12 88.00 88.60 331 2,705 Jun 88.12 88.42 +0.24 88.46 88.10 1,354 7,726	Credit Forcier 912 98 300 10814 10812 -1s 6.32 Ousbec Hydro 5.08 100 10014 5.00 Credit Local 8.01 FFr 7000 9878 99 6.23  Denmark 534 98 1000 9912 9934 -14 8.03 SNOF 7.04 450 11515 116 -15 4.75 Force 6 Proces 81 22 FFF 2000 1977 44914 15 7.05
Stiffs CALLS	US	East Japan Relikely 6% 04 500 96 4 96% 6.92 Sweden 44 03 500 103 103% 4.26 SNCF 94 97 FFT 4000 104½ 104½ 4.81 EB 6 04 500 95% 96 46 6.70 World Bank 0 21 700 25% 25% 5.50
Price Apr May Jun Apr May Jun	M US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%	ER 94, 97 1000 105 1051 <sub>8</sub> -1 <sub>8</sub> 5.98 World Bank 7.01 600 1141 <sub>4</sub> 1141 <sub>4</sub> -1 <sub>9</sub> 3.80 FLOATING RATE MOTES
119 0.09 0.47 0.78 120 0.82 7.27 1.84 0.28 0.76 1.09	Open Latest Change High Low Est. vol. Open int.	Ex-Im Bank Japan 8 02 500 108% 109% 12 YEN STRAIGHTS
121	Mar 111-06 111-21 +0-17 111-24 111-04 19,893 45,817 Jun 110-23 111-05 +0-18 111-08 110-16 378,920 342,273	Export Dev Corp 9½ 98 150 105½ 107 8.25 Beiglum 5.99 75000 110½ 117 _1, 139 Abbey Next Treasury 1, 99 1000 89.80 99.88 5.2305, Expor Capital 0.04 1800 56½ 555 1g 6.90 Credit Fonciar 4¾ 02 75000 102¼ 1025 1g 4.34 Banksmerica 1, 99 750 99.79 99.89 5.53914.
123 - 0.15 0.34 Est. vol. total. Calls 70,446 Purs 16.156 Previous day's open int., Calls 159,456 Purs 162,512.	Sep 110-03 110-22 +0-20 110-23 110-03 1.142 15,737	Fed Home Loan 71/2 99 1500 1027/3 103 12 6.25 EIB 65/3 00 100000 1171/4 1171/2 13 2.08 Carada 14 99 2000 99.43 99.50 5.0547 Federal Nati Mort 7.40 04 1500 1047/3 1047/3 6.61 Ex-Im Bank Japan 47/2 03 105000 1067/3 1/8 3.07 CCCE 0 06 Eou 200 39.47 99.61 4.6250
	Japan	Firstend 6-14 97
Germany  NOTIONAL GERMAN BUND FUTURES (LIFFE) DM250,000 100ths of 100%	IN NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%	General Miles () 13
Open Sett price Change High Low Est. vol Open int.	Open Close Change High Low Est vol Open int.	N France 5 <sup>1</sup> 4 98 650 97 <sup>1</sup> 2 97 <sup>1</sup> 4 - <sup>1</sup> 8 626 Japan Dev Bit 6 <sup>1</sup> 2 07 120000 120 <sup>1</sup> 4 120 <sup>1</sup> 2 - <sup>1</sup> 4 2.51 Dresidner Finance 5 <sup>1</sup> 2 98 DM 1000 100 03 100.08 3.4688
Jun 95.28 95.38 +0.05 95.49 95.05 109907 227912 Sep 94.35 94.50 +0.05 94.59 94.35 41 3748	Jun 118.68 118.78 118.64 1003 0 Sep 117.48 117.60 117.48 75 0	Inti Finance 54, 99500 984 9858 4 5.99 Spain 54, 02125000 1165 11658 4 2.76 Ferro del Stat 0.10 97 420 100.09 100.22 5.7500
	" LIFFE sutures also traded on APT. Alt Open interest sign, are for previous day.	Raty 67, 28 \$500 89 80 8 4 8.01 World Bank 514 02 25000 1145 1141 14 2.62 Finland 14 89 1500 99.69 89.76 5.1875
UK GILTS PRICES		Japan Dev Sk 8 01500 107 107 107 6.50  Korea Sec Power 6 2 03 1390 85 4 95 4 1 7.20 OTHER STRAIGHTS  MA Benk Inc 14 90 500 100.14 100.04 5.5000  Korea Sec Power 6 2 03 1390 85 4 100.02 5.5825
		Measurability Elec 7 <sup>1</sup> 4 02 1000 102 <sup>3</sup> 4 103 - <sup>1</sup> 8 5.82 Finland 8 04 LFr 5000 2000 2000 100.06 100.13 5.83 <sup>2</sup> 5  Norway 7 <sup>1</sup> 4 97 1000 101 <sup>3</sup> 5 101 <sup>1</sup> 2 5.88 Gentinance Lux 9 <sup>1</sup> 5 99 LFr 1000 LIXE Beden-Wuent Fin - <sup>1</sup> 5 98 1000 99.90 98.96 5.8875
	Teld	Orderto 7-% 03 3000 103-% 103-% 103-% 1-% 6.66 NG Deut Industrik 8-% 03 LFr 3000 Lioyds Bank Perp S 0.10 600 83.06 83.64 5.3500 Oster Kontrollbank 8-% 01 200 108-% 108-% 108-% 108-% 6.53 ABN Amro 6-% 00 Fi 1000 105-% 104 5-60 Mataysis 1/4 05 650 99.26 99.26 99.20 3.0000
Shortar (Lives up to Fire Years) Tress 121-pc 2003-5 9 98	8.02 1253 +3 1311 1215 todas-Licked (a)	Portugal 5½ 03 1000 94½ 94½ 1½ 5.82 Bank Ned Germenaen 7 03 FI 1500 100½ 103½ 6.96 New Zealand ½ 99 1000 99.88 59.89 5.4805  Outbee Hydro 9¾ 98 150 107½ 107½ 107½ 6.57 Self Canada 1068 99 CS 150 109¾ 109¾ 1, 7.32 Nova Scota ½ 98 500 99.93 100.02 5.4883
Esch 13 Apr 1996## 13.10 5.83 10148 10578 10148 Trees 71-00 2006## 7.84	8.06 10235 +26 10835 9912 4260 9811	Ousbert Prov 9 95 200 104% 105% 5.38 British Columbia 7% 03 CS 1250 95% 100% 1 7.92 Ontario 0 99 2000 59.83 99.90 5.2500
Conversion 10pc 1996 9 76 8 05 10213 10413 10213 Tream 7 tpc 200642 7.97 Tream 13Loc 1997++ 1254 6 11 10511 10611 10511 Tream 80c 2002-642 8.09	8.19 98% +1 1041 951 200 06 89.5 3.45 3.71 1801 +1 1814 1705	SNCF 912 98 150 10876 10714 16 8.22 E8 10712 98 CS 130 10878 10712 +16 5.45 State Bk Victoria 0.05 99 125 98.98 100.09 5.6672
Event 10 lpc 1897 10.12 E.17 1004 1 10563 1003 Treas 114 pc 2005-7 8.83 Treas Cry 70c 1997+1	797 27976 +☆ 125☆ 175% 21gpc 109(78.5) 3.54 3.76 167½ +값 167½ 164½ 8.18 702값 +값 108월 99월 21gpc 11(74.6) 3.58 3.78 167 <u>%</u> +값 173ሺ 150상	Sweden 812 03 2000 9918 9918 -14 9.77 10W Int Fin 10 01 CS 400 10912 10978 -18 7.83 Sweden -18 01 2000 99.54 99.59 5.1758
Trees 8-upc 1997## 8.49 5.46 103 6 1043 1013 Trees 13-2pc 2004-8 10.23 Exch 15pc 1997	8.01 131 131 41 1381 1287 2 200 73(89.2) 3.63 3.60 137 41 143 131 1	Termossey Valley 67s 05 2000 9712 9714 5.85 Ontario 8 03 CS 1500 1007s 10114 _J 7.98 CONVERTIBLE BONDS
Extl 9-apc 1998 828 6.70 105%	8.25 87 19 10 12 951, 21 20 20 (83.0) 3.70 3.83 1285 +1 1467, 13313 8.31 827, +1 88,8 80,7 41 1077 (135.1) 3.70 3.83 1147, +1 12011 10917	Toyota Motor 5% 98 1500 99% 99% -4 6.60 Critatio Hydro 10% 99 CS 500 110% 110% 7.04 Conv.  Toyota Motor 5% 98 1500 99% 99% -4 5.67 Ceter Kontrollbank 10% 99 CS 150 109% 7.06 1682ed Price Bid Offer Prints.
Tress 63-pc 1995-9614 1298 6.99 1194 1244 1195 Pick 12pc 1996 10.73 7.05 1114 1105	- the sald-medianil and 200 1148 4-8 1508 1008	World Bank 6½ 05 1500 97¾ 97% ¼ 5.81 Quebec Prov 10½ 95 C\$ 200 10¾ 10% ½ 6.42 EE Finance 8¾ 06 £ 438 6.4 100½ 10¼ 453.14
Trees 91-pc 1989;;	(b) Figures in parentheses show RPI base for indexing, (i.e. 8) months prior to issue) and have been adjusted to reflect	1900 107 107's —'8 624 Counci Surope 9 01 Ecu 1100 109's 109's 6.83 Grand Metropolitan 8 <sup>1</sup> 2 00
Ench 1214 oc 1899	televising of RPI to 100 in February 1987. Conversion factor  8.33 10511 +3 112[] 1032 3.945, RPI for June 1995; 149,8 and for January 1996; 150.2	Desirant, 812 (2) Ect 1000 107 1 108 1 89 4 1 7.44 EC 6 00 Ect 1103 301 201 1 80 Herson America 2.39 07 420 29 6375 79 1 808 1 10
7/805 Spc 1999 ## 8 22 7.19 96/4 +- 98 98 8 7.3 1/805 Spc 2012## 8.51 Commentum 104.ppc 1999 9 38 7.32 108/5 +- 1128 106/4 Trans Stand 2018 124+ 7.16	8.34 105 <u>73</u> + 4 113 <sub>6</sub> 3 104 <sub>5</sub> 4 8.06 7 <del>5</del> 3 + 4 824 73	Bander-Wittertt L-Finance 8.99 2000 100¼ 100½ 4.85 EB 10.01 Ect 1150 113½ 113½ 4 6.67 Land Sect 6¾ 02 £ 84 6.72 97¾ 90¼ 4851
Trees 13ec 2000 10 83 7.47 120 4.5 12413 1183 7 183 800 201355 827	8.34 98350 +2 1034 944 Other Fixed interest	Denmark 8½ 98 2000 103½ 103½ 4.26 bary 10½ 00 Ecu 1000 114 114½ 6.71 Magai Stank 2½ 03 90 5.64 90½ 81¼  Denmark 8½ 98 1500 98½ 99 ½ 8.58 United Kingdom 9½ 01 Ecu 2750 110½ 110½ 110½ 120½ 58nk 2½ 03 200 2332.6 61½ 63½ 433.43
Treat 8pc 2000## 7,83 7,43 102% 4-1/2 105% 98 1100 2017## 8,45	8.33 96% +1 104% 95%	Doubthe Bk Fin 7½ 03 2000 104½ 104¾ -½ 5.66 AEDC 10 99 AS 100 103½ 103½ 103½ 103½ 103½ 103½ 103½
Each 12pc 2013-17 8.08	8.46 1324 +45 14137 150,5 8.30 9677 -1 907 947 Asian Day 104-ppc 2009 9.05 8.55 1134 +7 120 1104	5HE 64 00
	6.30 9533 +1, 93% 95% Asian Day 1014pc 2009 9.05 8.55 11318 +1, 120 11014 BTM::::112pc 2012 9.50 9.04 121 +1, 128 11914 instant Cap 814pc 10 8.04 - 10514 106 9812 90c Cap 1996 8.65 - 104 1042 101	hay 7 <sup>1</sup> / <sub>1</sub> 98

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हिंद्र प्रतिक महिल्ला ।

CURRENCIES AND MONEY MARKETS REPORT

# D-Mark slips as Swedish krona leads the way

By Philip Gawith

DAL The D-Mark traded lower on the foreign exchanges yesterday as a strong performance from the Swedish krona spilled over into more generalised D-Mark weakness.

The krona's performance followed the performance by Mr Goran Persson, the incoming prime minister, at the weekend conference of the Social Democratic party. He allayed fears that his accession to the country's top job would mark a return to the larger state previously associated with the "Swedish model", which predated more recent policies of fiscal stringency.

from I The krona closed in London at SKr4.557, from SKr4.598. The lira rallied on the krona's good performance, finishing at L1,059 against the D-Mark, from L1,062.

Volumes in the markets remained thin, with many currencies still confined to fairly narrow ranges. The dollar fin-

Austria

Belgium

Dermark

France

Greeca

Germany

Luxembourg

Netherlands

Portugal

Argentina

Jepan

Philippines

Pacific/Middle East/Africa

POUND SPOT FORWARD AGAINST THE POUND

mid-point on day

15.8791

- 1.047600

11.5671

6.0283

42.0382

Closing Change Bld/offer

+0.0348 209 - 307

+0.0256 287 - 356

+0.0088 568 - 581

+2.01 036 - 237

+0.0079 307 - 318

+D.DO44 824 - 844

+0.0079 312 - 321

+0.0187 877 - 915

+0.0174 442 - 478

+0.0293 425 - 483

+0.037 207 - 319

+0.0102 532 - 560

at DM1.4742, from DM1.476. Against the yen it closed at Y106.01, from Y105.9. There is little sense in the market of what might provide markets with some fresh trading direction.

Sterling made ground against both the D-Mark and the dollar, finishing at DM2.258, from DM2.2491, and at \$1.5317 from \$1.5238.

day for the "high-yielders". Mr Persson's performance was taken by the market as representing a defeat for the left of his party, leaving the government's fiscal policy still intact. Mr Brian Martin, economist at Barclays in London, said he doubted whether the krona

could rally much beyond In Pound in New York -- Pray, close ~-7.5305

+0.0615 707 - 874 15.8874 15.8066 15.8491

+0.1808 724 - 226 48,4228 48,2010 46,2925

+0.727 065 - 481 370,303 367,439

+0.0441 560 - 781 11.9200 11.5016

+1.005 858 - 477 53,4670 51,7580

+0.0205 320 - 402 4,7402 4,8948

+0.1903 409 - 410 40.1410 40.0409

+7,82 694 - 780 1197.50 1183,78

+0.1956 238 - 546 42.0735 41.7038 +0.221 475 - 855 \$8,6855 38.2610

+0.999 261 - 479 162,479 180,160

8,7307 8,6826

7.0568 7.0340 7.0548

+0.619 523 - 814 234.716 232.883 234.094 -2.2 234.999 -2.3

2.0864 2.0770 2.0821 0.7

+0.0506 374 - 459 11.8459 11.7258 11.8351 0,7 11,8258 0.5 11.8048 0.3

1,5321 1.5261

3.9153 3.8598

2.2500 2.2044

5,7463 5.8878

2.1560 2.1363

8.0320 5.9268

7.7356 7.7006 7.7195 2.0 7.6983

+0.1806 724 - 228 48,4228 48,2010 46,2925 2.7 48,0825 2.7 45,1725 2.8

+0.0109 254 - 277 2.5277 2.5140 2.5207 2.8 2.5087 2.8 2.457 2.8

+0.039 269 - 442 9.8442 9.7856 9.8256 1.2 9.8054 1.2 9.7145 1.2

+0.403 945 - 210 190.210 189.439 190.498 -2.7 191.283 -2.5 194.013 -2.1

+0.0009 688 - 706 0.9708 0.9684 0.9689 1.0 0.9677 D.B 0.9627

SKr4.50. "In an environment of weak European growth, it would be be very hard for exporters to compete beyond that." Exports are a key engine of economic growth in Sweden, and some observers believe the government would be keen to

maintain some degree of

exchange rate competitiveness. The broader move into "high-yielders" would appear to reflect the high yield pre-Led by the krona, it was a mium some of these currencies enjoy - more than compensating for any actual or anticipated discrepancies in infla-

> Mr Terry Smeeton, head of the Bank of England's foreign exchange division, made some interesting comments to the Dow Jones Telerate conference in London on the disjuncture between growing turnover and declining liquidity in foreign

exchange markets. "The increased profile of the D-Mark in Europe undoubtedly means that liquidity, which

2.7 48.0825

7.0487

. . . . . . .

0.7

2394.68 2385.17 2399.52 -4.1 2414.27 -3.8 2467.82 -3.2

10.3585 10.2617 10.2904 -0.2 10.2924 -0.1 10.2979 -0.1

1.8224 1.8094 1.8147 4.2 1.8019 4.2 1.7475 4.0

2.2591 2.2467 2.2527 2.8 2.243 2.7 2.1979

Against the D-Mark (SKr per DM)

Swedish Krona

was formerly concentrated on the dollar-based markets, is now split between the dollarbased element and the DMbased element." Such is the heightened profile of the D-Mark in Europe, he said, that these markets now often have more liquidity than those

Source: FT Excel

ALISTE

108.3

but are implied by current interest rates. Starting index calculated by the Bank of England. Base everage 1990 = 100, Index rebesed 1/2/95. Bit, Offer and market but are implied by current interest rates. UK, Ireland 8 ECU are quoted in US currency. LP. Morgan nominal indices Mar 15: Base everage 1990=100 Mild-rates in both still and the Dollar Spot tables derived from THE WIMPEUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

Belgium

which are dollar based." Mr Smeeton also made refer-

(New Peso)

SRI

(S\$) (F)

% +/- from % spread

y weakest

Ind.

2.5395

3.7505

1.4067

3.9345

ence to the "decline of the job-

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

-6.73 110 - 150

-0.38 510 - 610

-0.375 050 - 150

~0.068 T30 - 221

+0.0005 539 - 545

-0.0047 600 - 60<del>5</del>

+0.0039 656 - 671

-0.0006 062 - 072

-D.01 470 - 570 7.5570 7.5470

+0.48 000 - 200 34.9800 34.3380

-0.01 500 - 000 26,2000 26,1500

~0.0001 503 - 506 3.7506 3.7503

1.4671

bing bank of the FX markets". He pointed out that around ten years ago, there were a number of large and medium sized banks which always put prices into the market in modest amounts, maybe £3-5m. They saw significant volumes of business during the course of a day and made a couple of

"That style of dealing and those institutions which engaged in it have either disappeared or moved towards seeking more customer orientated business." he said. Mr Smeeton cited two other

points spread on the business

they quoted.

factors which contributed to declining liquidity. One was, paradoxically, the increased importance of customer business, and the fierce competition to get it. He said the declining portion of overall market activity represented by interbank business, showed

"that the capacity of the banks

to absorb customer business

without reflecting all of the

طکا

-0,0131 649 - 697 10,3820 10,3390 10,3513 1.9 10,3198

-0.0018 739 - 745 1.4763 1.4705 1.4717 2.0 1.4667

+0,0066 785 - 805 1.5805 1.5750 1 5799 -0.3 1.5904

-Q.0075 178 - 253 6.4280 6.4012 6.4178 0.7 6.4106

124.260 124.000

1.1897 1.1843

1.5321 1.5261

1.3601 1.2537

7.7318 7.7308

4.6159 4 5978 4.6034

5.0595 \$ 0370 5.0429

-0.765 Q30 - 160 242.250 240.380 242.77 -9.3 246.12 -8.3 260.295

-0.0375 650 - 000 30.3400 30.2400 30.2405 2.1 30.1375 2.0 29.6625

-0.0013 493 - 498 1 6524 1.6458 1 6465 2.2 1.64Q5 2.2 1.6141 2.1

+0.11 970 - 050 106.140 105.710 105.535 5.4 104.7 4.9 100.995

+0.004 320 - 370 3.9375 3.9220 3.9632 -8.8 4.0148 -8.2 4.238 -7.7

+1.1 700 - 800 782,900 780,900 784.75 -4.6 788.25 -3.3 806.75 -3.2

-0.0008 390 - 400 2.5410 2.5390 2.5404 -0.4 2.5465 -1.1

-0.013 450 - 490 27.4760 27.4290 27.467 -0.9 27.507 -0.9

† SDR rate per \$ for Mer 15. Bid/offer spreads in the Dater Spot table show only the last three decertal places. Forward rates are not directly quoted to the

+0.018 400 - 500 25.2500 25.2370 25.2438 -4.7 25.5475 -4.8

1.3 5.0338

1567.28 1559.76 1567.45 -4.7 1575.9 -4.5 1621.3 -3.8

124.51 **→** 0 125 09 **→3.2** 

1.255 -0.7 1.2549 -0.2 1.2555 -0.7

7.732 -0.1 7.7338 -0.1 7.7608 -0.4

34.95 -5.2 35.265 -5.2 36.735 -5.5

3.751 -0.1 3.7517 -0.1 3.755 -0.1

1,4656 1,4694 -2.5 1,4752 -2,4 1,4998 -2.3

1.4073 1,4062 1.4032 3.0 1.3972 2.7 1.3717 2.5

8.7817 6.7105 67303 -2.2 6.7516 -2.0 6.8181 -1.5

1.3645 1.3598 1.3601 G ! 1.3604 0.0 1.3632 -0.2

1.1855 3.6 1.1783

**153.630 152.400 152,675 -25 153.465 -24 155.71** 

5.7035 5.6810

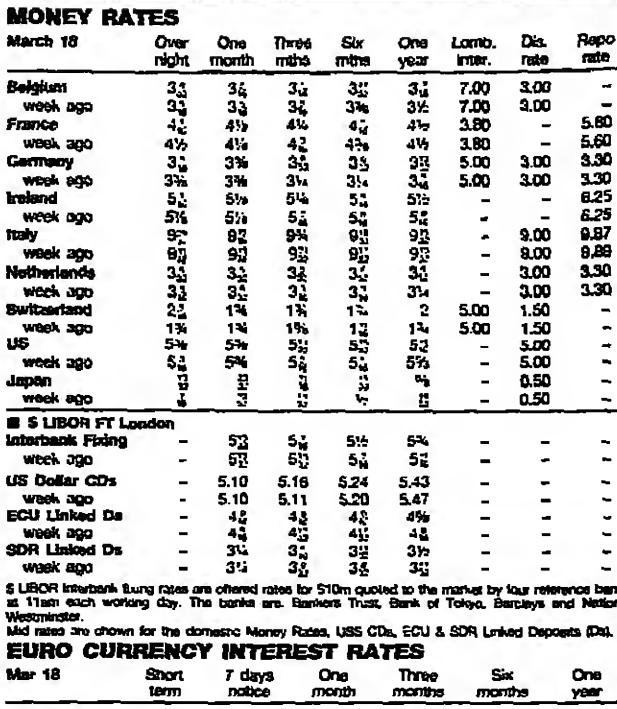
orders immediately in the market is greatly reduced." "Liquidity is there for the

customer and, at a price, for the bank involved, but liquidity is not necessarily there on both sides of a price. Normally, one side is very liquid...If you deal on the illiquid side of the price then you often have to accept that liquidity will only be found at an inferior price

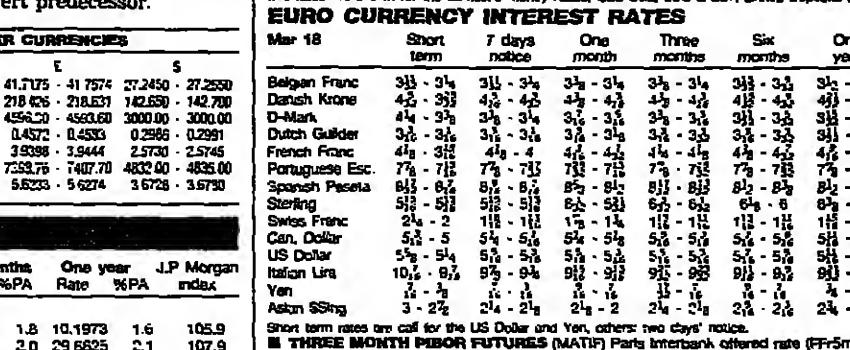
The other factor was the new generation of dealers, some of whom preferred "the detachment of the computer" to the spoken word. "Such an individual is less likely to provide support prices and to feel any responsibility for market liquidity than was his more extrovert predecessor."

S OTHER CURRENCIES Cases: 25 41.7175 - 41 7574 27.2450 - 27.2550 Punçary 218 (26 - 218,631 142,650 - 142,700 4558.20 - 4563.60 3000.00 - 3000.00 0.4572 - 0.4533 0.2986

108.3



WORLD INTEREST RATES



-0 02 +0.02 95.54 **95.56** 2,627 +0.01 727

E THREE MONTH EUROMARK FUTURES (LIFFS) Divin points of 190% 32433 224534 10.0-21561 -0.0396.21 -0.04 # THREE MONTH EUROLINA FUTURES (LIFFE) L1000m points of 100% 17333 90.61 +0.09 90.72 +0.08 **91.05** 91.05 +0.06 1388 90.97 91.05 91.05 IN THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100% -0,07 98.20 98.18 -0,01 98.02 1173 97.96 97.67 97.71 -0.03 97.73

95.41 -0.01 85.29 -Q.Q1 95.03 EUROLIRA OPTIONS (LIFFE) L1000m points of 100% 9025 1.05 0.12 Q.18 8050 0.87 0.37 0.28

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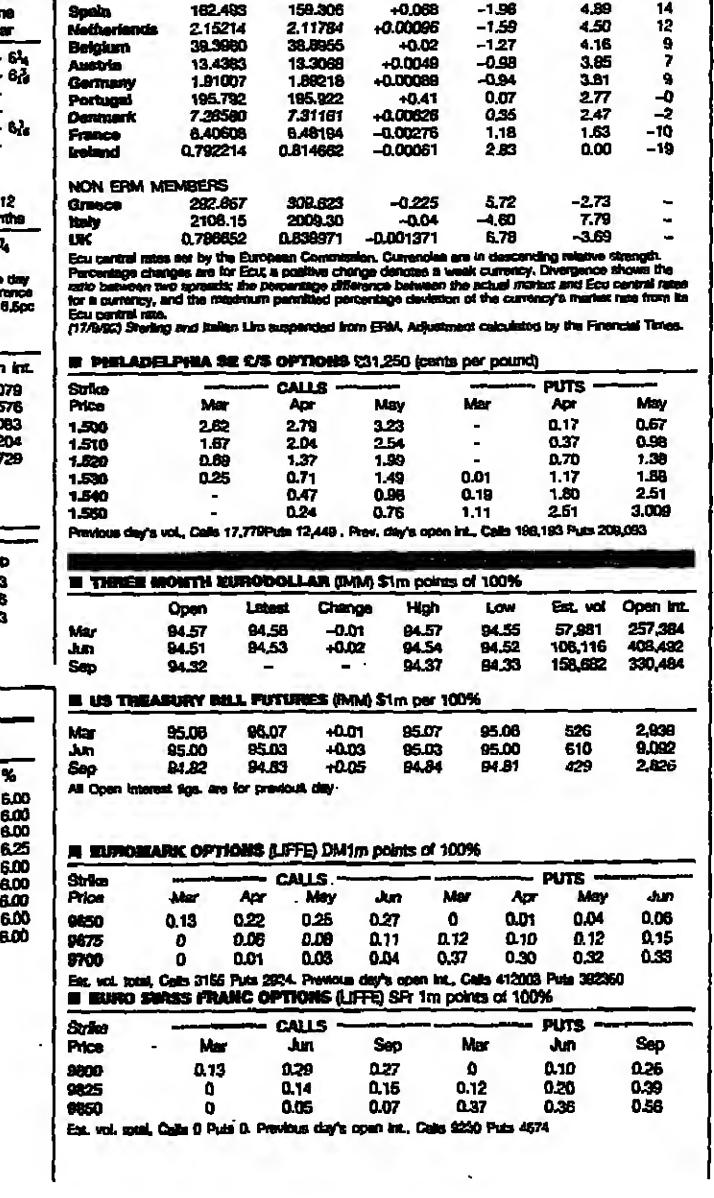
#### CROSS RATES AND DERIVATIVES EXCHANGE CROSS RATES 11.27 10 1.293 209.9 3,267 245.7 13.31 2.355 12,72 302.1 2,920 10 (FFr) 60.01 11.29 4.557 0.806 0.443 103.5 84.15 1.119 0.428 (DM) 20.55 10,15 196.1 10.62 1.879 1.032 2487 2.607 241.1 82) 47.88 9.005 7,979 2.330 0.041 100. 0.042 0.087 0.064 0.084 0,106 0.411 9,770 7.946 0.430 0.078 D.365 0.32375,22 4.074 0.721 0.396 0.825 84.25 3.894 52.48 0,894 0.384 (FI) 18.37 3,454 3.061 Portugad 8.480 5.401 128.3 Switzerland 233.8 4.722 1.213 112.1 143.9 6.340 191.3 8,428 1.491 **JAPANESE YEN FUTURES (BAM)** Yen 12.5 per Yen 100 Est. vol. Open Int. Est vol Open Int. 0.6774 5,447 27,683 -0.00170.8535 20,552 55,375 -0.00200.9574 29,278 53,688 0.95510,9547 0.6808 0.6823 -0.0014-0.0015 0.6860 FRANC FUTURIES (IMM) SFr 125,000 par SFr 3,038 1.5290 1.5250 15,126 35.361 -0.0026 1,5246 D.8484 0.8568 0.B518 16,897 26,797 0.8494 0.8493 -0.0012

LONDO Mar 18	n mvi	Over- night	7 days	One month	Three months	Sbt months	One year
interbenk St	vino	8 <sup>1</sup> 4 - 5 <sup>1</sup> 2	6 - 534		6 <sup>1</sup> 8 - 6		
Sterling CDs		_	-	8 - 512	612 - 512	$6_{16} - 6$	B4 - 6
Treesury Ba			-	513 - 578	5% 512		-
Bank Bils		•	-		513 - 5 <del>1</del> 1	5% - 5/2	4. 14.
	ity debs.	512 - 512	512 - 514	6 - 5%	8% - 513	614 - 514	B 6
Local authori Discount Ma	rket deps	5% 5 g	513 - 513	-	•	•	-
UK clearing	hank base	iendino rate	6 per cen	trom Mari	ch 8, 1998		
Old command	<b></b>		Up to 1	1-3	4-0	6-9	8-12
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7 7 7		2 222	2 <sup>1</sup> 2	512	5	S	4.14
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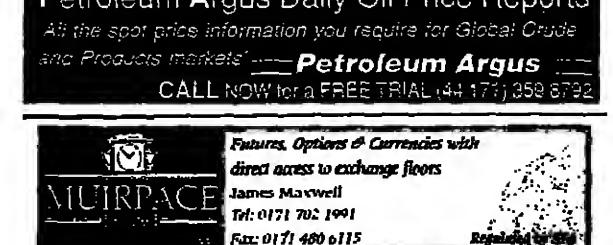
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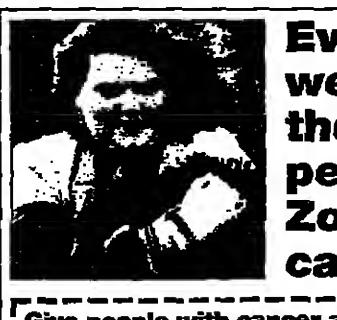
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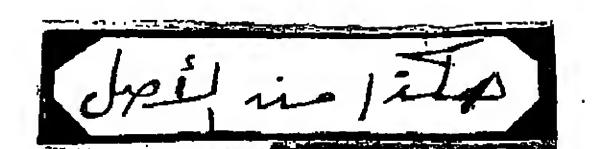
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#### LONDON STOCK EXCHANGE

MARKET REPORT

## Good results and bid hopes drive shares higher

brings retail sales numbers and M4

By Steve Thompson. **UK Stock Market Editor** 

A big bounce in the financial stocks, plus the knock-on effect of strong US equity and bond markets. saw shares in London make rapid progress yesterday.

The stronger tone in US Treasury bonds reversed an early slightly easier trend in gilts, which also contributed to the much better feeling around the UK equity market.

The FT-SE 100 index comfortably regained the 3,650 level surrendered last Friday, and closed in very good heart. Second-liners, meanwhile, gave another good performance, with the FT-SE Mid 250 index fin-

ishing the day up 17.3 at 4,244.5. A fresh burst of actual and rumoured takeover news added to the general air of optimism, as did a long list of generally encouraging corporate trading statements.

Dealers said they expected London to continue to gain ground as long as the US bond market held steady. "With Wall Street in good shape, we should be fine," said the head trader at one of the UK securities houses.

He warned, however, that there is plenty of room for upsets in the market this week from a long list of economic data due from the US, the UK. France and Germany. On the domestic front, tomorrow

money supply numbers, while February's inflation figures are due on Thursday. German M3 money supply figures are scheduled for release on Wednesday: European markets reacted extremely nervously late last week to rumours that the figures could be much worse than pre-

London made a bright start to the day, with an initial 2-point gain in the Footsie equating to a rise of nearly 14, after allowing for almost 12 points of ex-dividend among the constituents.

But a mini-wave of bid speculation and news, plus the boost from Wall Street, saw the index move up

a gear and hit a session's peak of 3,670.2, up 25.4, before coming off the top at the close.

The Dow Jones Industrial Average galloped ahead from the outset. rising more than 40 points, and had posted a 54-point improvement at 6pm London time.

Banks and insurances provided eight out of the top 10 Footsie performers, with dealers pointing out that the banks had underperformed the market by 6 per cent last week were due for a rally. Lloyds TSB, badly hit by worries about the mortgage price war, climbed more than 4 per cent, while the composite insurances drew strength from

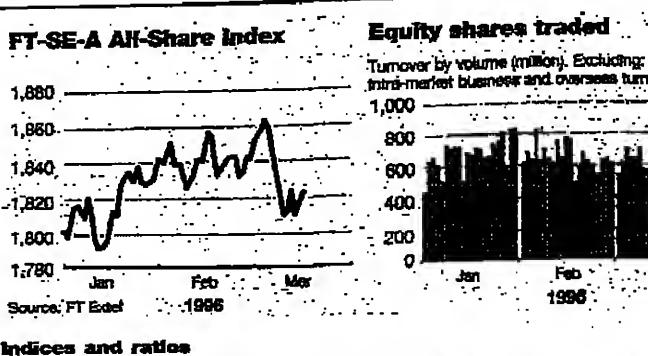
more settled bond markets.

The takeover/merger speculation in Cable and Wireless boiled up again, but cooled in midsession after the group denied that any further talks had taken place.

The FT-SE Mid 250 was given a lift by a 33 per cent surge in Unitech, as the market braced itself for a bid of around 650p to 670p a share from Siebe. BAT Industries was the Footsie's

most heavily traded stock and endured a choppy session after the group hosted a meeting of analysts and institutional shareholders. Turnover in equities at the 6pm

reading amounted to 576.1m shares. The value of customer business on Friday was put at £1.7bn.

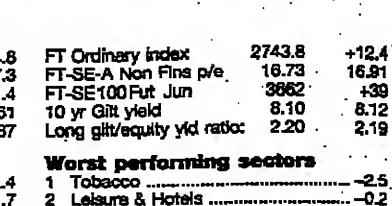


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#### insurers spring forward

Composite insurers had a spring in their step as Credit Lyonnais Laing took a more sunny view of the sector's

The broker has been downbeat on the stocks for several months but now feels they have been hit hard enough. Analyst Mr David Hudson commented: "The sector is now

on a 50 per cent yield premium to the market – it has only hit that level twice in the past 25 years and both times the industry was in crisis." Mr Hudson has put out a

straight buy recommendation on Commercial Union, the preferred group for most analysts because of its exposure to a more healthy life insurance market. And he has moved to a hold on Royal Insurance.

Also, relief seeped into the sector from more buoyant UK and US bond markets, to which the composites are exposed. CU rose 81: to 572p, Royal 10 to 356p, General Accident 81/2 to 622p and Guardian Royal Exchange 6 to 232b.

#### Siebe slides

Leading engineer Siebe crashed to the bottom end of the Footsie rankings as concern about a possible issue of new equity sparked profittaking.

Late on Friday Siebe announced the purchase of a 25 per cent stake in electronics

group Unitech and left the door open to an outright offer. So far it has used cash, but analysts yesterday argued that some sort of paper mix might eventually be needed if Siebe were to go ahead with a full

takeover. Siebe shares fell 18 to 826p. having been a strong mover lately. The stock has outpaced the market by 6 per cent over

the past month. Unitech, in contrast, powered ahead by more than a third, closing 173p higher at a new peak of 688p. City bets on the takeout price are bunched around the 650p to 670p levels.

Siebe acquired its Unitech stake from Swiss utility Elektrowatt. The utility has 42 per cent of UK components supplier Eurodis Electron. The latter added 11 at 295p. Glynwed International

climbed 13 to 351p following an optimistic trading statement and some modest broker upgrades. BZW moved up by 23m to £105m for 1996.

#### Argos downgrade

Shares in retailing group Argos eased 21/2 to 638p as analysts downgraded full-year profits expectations after the company announced a 42p special dividend and share consol-

Brokers moved to reduce current year profits forecasts to reflect the impact of the special dividend. The list of downgrades included that of BZW. which cut its forecast by £6.5m to £133.5m and also downgraded its recommendation from "buy" to "hold".

company will be making any sizeable acquisitions in the Troubled tobacco group BAT

Industries failed to shrug off worries about its US operations. The shares were down 5, as the company began its briefing

viously thought.

on the implications of a class action settlement by Liggett. the maker of Chesterfield cigarettes. However, the fall included the effect of the stock going ex a 14.75p net dividend. BAT told analysts that US trading would not be adversely affected. Also, Kleinwort Ben-

son included BAT as one of its

key income plays. The broker said that the company's overseas earnings and foreign income dividend made it a good defensive investment under a Labour government. And it believes the Liggett worries are overdone. However, nervousness

increased in the afternoon and Financial times equity indices

the US, where domestic tobacco groups were also the Liggett decision.

By the close, the shares were down an unadjusted 12 to 488p. Volume continued to be unusually heavy, although the closing turnover of 32m shares primarily reflected a block of 26m traded between two marketmakers at 493p a share.

Extensive weekend press coverage kept the takeover pot bubbling at Cable and Wireless, hoisting the shares to a 26-month high in above aver-

age volume. The shares have been a strong market since news of the attempted reverse takeover of telecoms giant BT broke at the start of last week. They surged a further 91/2 to 485p yesterday, against 430p at the end of January.

Perhaps the main nugget to emerge from the Sunday news-

Mar	18	Mar 1	15 M	× 14	Mar	13 N	Aar 12	Yr ago	*High	*Low
274	3.8	273	1.4 2	758.2	273	<b>6.6</b>	2729.9	2381.8	2807.9	2238.3
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k sino	<b>9</b> CC	<b>ATTORNAL</b>	on: hig	h 2768	.2 18C	11/96;	low 49.4	26/08/40.	Base Da	be: 1/7/35.
hourt	y el	hange	9							
10.0	Ю	11.00	12.0	10 10	3.00	14.0	0 15.0	0 16.00	High	Low
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Mar 18 Mar 15 Mar 14 Mar 13 Mar 12 Yr ago SEAQ bargains 2400.9 1841.5 39,335 40.574 596.2 Mar 18 Mar 15 Mar 14 Mar 13 Mar 12 Yr ago "High "Low

E London market data

Rises and falls" LIFFE Egotty options

#### Ordinary Share 2743.8 2731.4 2758.2 2738. 16.17 16.11 16.28 16.1 Ordinary Share Index since compilation; high 2788.2 18/01/ Ordinary Share hourly changes Open 9.00 10.00 11.00 12.00 13.00 2732.9 2734.7 2736.3 2736.5 2734.5 2735.0 273

Equity turnover (Dm)t

For 1995/56. 740 Total Highs 479 Total Lows Total Rises Total contracts 22,816 Mr Tony Shiret at BZW said: "Paying a special dividend makes it less likely that the Mar. 18 Data based on Equity shares listed on the London Share Service.

Financial Times.

World Business Newspaper.

Mastering Management is a 20 week series being published in

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papers was the suggestion that BT and C&W were far closer on price than most analysts analysts said the tone of

closed 4 better at 351½p. Nynex CableComms added 4 at 101p as a series of meetings with institutional investors got under way. The cable group is apparently upbeat on the trading outlook.

The surprise statement that Southern, of the US, is to offload 50 per cent of South Western Electricity pitched some cold water on to the bid hopes within the sector.

Not only could some £400m to £500m of appetite be scaked up but some potential bidders could be removed. "One or two of the names in the frame for buying a rec - such as Tractebel, of Belgium - could be satiated by buying 50 per cent of SWEB," said Mr Matthew Siebert of ABN Amro Hoare

The potential bid targets in the sector are East Midlands, a penny off at 597p, London, up 2 729p. Northern, 3 ahead at p. and Yorkshire, 6 higher

mong leisure issues, Rank ganisation hit an all-time th as the shares rose 5 to lp. Dealers believe that Rank be one of the biggest beneficiaries of the proposed changes to UK gaming regulations. They also said recent management changes at the company should help boost its prospects. However, volume in the stock remained light.

Among properties, a better than expected improvement in net asset value (nav) per share from Hammerson, the UK's fourth largest property group, cheered the market. The shares hardened 6 to 342p. Bid talk continued to sur-

round spirits group Allied Domeca and the shares firmed 10% to 491p in trade of 1.6m. Housebuilder Wilson Bowing a cautious post meeting with analys

FT - SE Actuari

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FT-SE-A 350 Higher Yield FT-SE-A 350 Lower Yield

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**FT-SE Actuaries** 

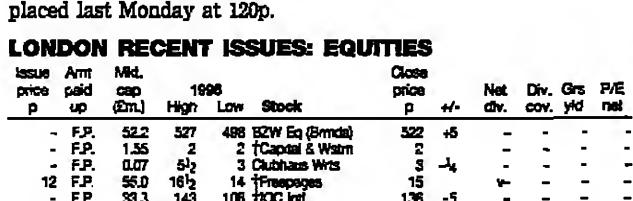
broadly on City targets but

Interim results from building materials group Polypipe disappointed and a number of brokers trimmed profits forecasts for this year. BZW came back £3m to £27.5m, and the shares

closed off 4 at 179p. The continuing results season purred along smoothly yesterday, with Pearson, which owns the Financial Times, gaining 7 at 664p after a 10 per cent dividend rise and some healthy profits thanks to the bonus from the sale of its BSkyB stake.

Bunzl, the paper and packaging group, moved ahead 8 to 209p. Analysts raised current year forecasts to between £115m and £119m.

Electrical equipment group Rainford tumbled 92 to 282p following a profits warning. Electronics and plastics components maker Stadium gained 10 at 136p. The shares were



14 †Freepages 106 †IOC inti 88 M & G Equity Div 42 M & G Equity Inc. 241 Schroder UK G Uts 123 Stadium Group

FT GOLD MINES INDEX Mar Year m Regional Indices 3129.31 -0.6 3148.76 2790.05 2.70 2511.58 +1.4 2576.62 2164.17 2.42 1967.43 -0.5 1978.00 1568.00 0.68

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	42	44,5	+0,4	4227.2	4232.9	4229.9	3391.0	3.48	1.72	20.83	41.65	1688.55
5	42	75.9	+0.4	4258.4	4264.6	4261.7	3398.0	3.80	1.77	19.63	44.55	1703.59
	184	44.2	+0.6	1832.8	1847.9	1831.3	1548.6	3.92	206	15.52	19.13	1523.61
	180	32.2	+0.5	1793.3	1814.1	1794.9	1563.0	5.14	1.91	12.74	21.75	1237,40
	18	93.8	+0.7	1879.7	1888.7	1875.0	1533.9	2.77	2.31	19.50	16.62	1304,37
	2070	J.31	+0.2	2066.92	2084.05	2058.33	1689.24	3.08	1.80	22.71		1681.10
its .	2057	7.31	+0.2	2054.16	2051.49	2046.92	1687.57	3.26	1.88	20.37		1679.34
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A	l-Shar	8										
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27 Engineering, Vehicles(13)
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29 Textiles & Apparel(19) ..... 2383.21 2352.04 2332.22 1782.13 -0.2 2781.14 2759.48 2759.36 2133.97 +0.8 2692.42 2698.51 2699.38 2753.56 18.48 12.80 1118.04 +0.1 1476.71 1476.26 1480.73 1427.59 16.07 7.42 890.55 30 CONSUMER GOODS(81) -0.1 3455.14 3506.13 3453.17 2923.70 32 Alcoholic Beverages(8) +1.0 2754.10 2788.70 2765.82 2580.97 33 Food Producers(23) 34 Household Goods(15) +0.1 2538.57 2548.39 2541.93 2404.80 +0.5 2546.60 2520.25 2436.10 2452.38 36 Health Care(20) 37 Pharmaceuticals(13) +0.2 1915.90 1926.69 1924.67 1623.29 -0.1 4840.13 4936.08 4824.26 3759.03 -2.5 4235.44 4358.27 4273.56 3500.95 38 Tobacco(1) 40 SERVICES(253) 41 Distributors(32) 42 Leisure & Hotels(23) +0.4 2342.28 2361.18 2350.54 1892.54 +0.6 2603 23 2602.48 2625.42 2294.41 -0.2 2963.55 2965.53 2913.07 2100.30 43 Media(46) +0.3 3885.45 3920.61 3889.11 2794.04 44 Retallers, Food(15 +0-2 1872.76 1899.07 1899.48 1866.89 45 Retailers, General(43) +0.4 1945.81 1952.87 1948.78 1573.10 47 Breweries, Pubs & Rest.(24) 48 Support Services(49) +0.4 2085.77 2096.54 2091.25 1486.04 49 Transport(21) 60 UTILLTIES(33) +0.9 2424.89 2446.41 2440.83 2260.31 62 Electricity(12) +0.9 2670.44 2684.46 2687,94 2118.73 64 Gas Distribution(2) 68 Telecommunications(7) ..... 1536.07 1553.05 1549.85 1950.37 +1.2 2004.97 2024.42 2018.59 1986.46 1.76 17.10 0.15 918.04 +0.6 2740.06 2163.82 2149.07 1765.21 +0.4 1937.82 1950.98 1935.64 1648.95 69 NON-FINANCIALS/667 70 FINANCIALS(108 +1.7 2745.45 2779.23 2743.84 2218.03 +2.4 3781.67 3844.65 3768.72 2929.84 71 Benks, Retail(8) 72 Banks, Merchant(6) +1.3 3363.23 3366.45 3446.02 3023.18 73 Insurance(24) +1.0 1343.87 1367.58 1342.46 1228.41 +0.2 3522.71 3538.71 3534.20 2591.97 74 Life Assurance(6) 77 Other Financial(23) +0.2 2485.86 2491.23 2492.44 1854.07 17.90 19.90 1408.20 1436.16 +1.1 1420.63 1420.08 1425.48 1383.48 1.30 27.98 4.11 873.43 **BO INVESTMENT TRUSTS(12)** 99 FT-SE-A ALL-SHARESOT +0.3 1155.21 1152.95 1149.53 949.21 FT-SE-A Redgling FT-SE-A Fledging ex inv Trusts +0.3 1159.67 1157.93 1154.83 946.60 **Hourly movements** 

4244.0 FT-SE-A 350 1841.4 1841.7 Time of FT-SE 100 Day's high: 4:27 PM Day's low: 8:33 AM, FT-SE 100 1996 High: 3781.3 (02/02/96) Low: 2954.2 (23/01/96)

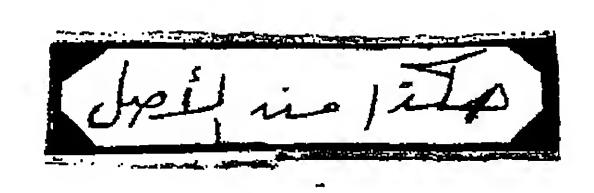
# FT-SE Actuaries 350 industry baskets

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FT-SE MIN 250

**FUTURES AND OPTIONS** FT-SE 100 INDEX FUTURES (LIFFE) \$25 per full index point IN FT-SE MID 250 INDEX FUTURIES (LIFFE) £10 per full Index point FT-SE 100 INDEX OPTION (UFFE) ("3683) 210 per full index point E EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) \$10 per full index point 188 11½ 145½ 19 108½ 32 75 48 48 71 27 99½ 13½ 136 5½ 177½ 208½ 27 169½ 37½ 133½ 51 101 68½ 73½ 90 50½ 116½ 32½ 148½ 19½ 185 229½ 45½ 163½ 58½ 159 73½ 127 90½ 96½ 109½ 70½ 132½ 50 161 34½ 195 229½ 45½ 161½ 122 121½ 118½ 164 79½ 222 Calls 845 Puls 2.284 \* Underlying Index value. Premiums shown are based on settlement prices. TRADING VOLUME MARKET REPORTERS **II** Major Stocks Yesterday Peter John, Joel Kibazo. Vol. Closing Day's ASDA Groupt
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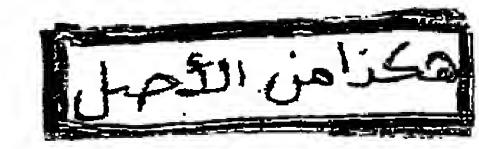
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	Actumbs 4,795 -25 5,360 3,860 1.5 - SFC 393 Attack 8,800 -100 8,450 7,100 2.6 - GTMEnt 338.50 1.7	90 5.530 3.980 1 1 10 5.530 3.980 1 1 1 404 337 7.1 Asias 12,030 -320 18,000 13,005 1 0	(B 102 -1 112 6634 — SCAA 122 →	50 141 90 3.1 Hausma 414 -41 859 -1 757 89.50 3.1 Hawffe 878 -9 854	336 1.9 Nestro 705 +6 760 531 .		10-11
OPTIONS.	Auctin 1,410 -61,800 1,380 - Gallaf 1,578  BBL 5,510 +210 5,950 3,800 3.5 - Gallag 2,020  Bughts 42,025 -75,48,000 34,100 5.4 - Glatys 2,020  Barro 4,000 +90 4,750 2,750 1 0 - Brandr 463,20 -7;  Barro 20,150 +150 33,000 18,500 1.4 - Hands 463,20 -7;  CRECTOR 17,100	7. 454 337 7.7 Asres 12,030 -329 18,000 13,005 1.0 Ring FO 486 2960 3.6 Assec 5,100 -40 7,586 4,600 Chird 12,349 1,120 1.0 Assec 5,100 -45 4,000 2,900 4.8 DM 4 386 237.50 0.6 Bcg Co 3,200 -45 4,000 2,900 4.6 DM 5.2 4.1 B Comm 3,250 -30 4,145 3,000 4.6 DM 6.2 400 152 4.1 B Comm 1,250 -50 3,780 900 Dyn 10 535 321 1.8 9 Remus 1,426 -12 1,875 1,253 1.8 Fok 746,90 365.70 3.1 Brock 1,426 -12 1,875 1,253 1.8 Fok 746,90 365.70 3.1 Brock 1,426 -12 1,875 1,253 1.8 Fok 746,90 365.70 3.1 Brock 1,426 -12 1,875 1,253 1.8 Fok 746,90 365.70 3.1 Brock 1,426 -12 1,875 1,253 1.8 Fok 746,90 365.70 3.1 Brock 1,426 -150 19,590 13,800 2.4 Hot 742,438 10 2.6 Brock 2,140 -35 2,295 1,605 1.9 Hot 742,438 10 2.6 Brock 2,140 -35 2,295 1,605 1.9 Hot 742,438 10 2.6 Brock 2,140 -13 2,000 815 5.6 Mak 4 195 10 5.9 Burgo 8,550 -50 11,000 7,060 2.9 Lou 4 372 231 143 CIR 887 -13 2,000 815 5.6 Mak 4 195 12 3,4 Crock 1,250 +12 1,625 1,160 3.2 MS 6 1,150 777 1.8 Crock 1,250 +12 1,625 1,160 3.2 MS 6 1,150 777 1.8 Crock 1,250 +12 1,625 1,160 3.2 MS 6 1,150 777 1.8 Crock 1,250 +12 1,625 1,160 3.2 MS 6 1,150 777 1.8 Crock 1,250 +12 1,625 1,160 3.2 MS 6 1,150 777 1.8 Crock 1,250 +12 1,625 1,160 3.2 MS 6 1,150 267.30 4.2 Crock 1,250 4.2 MS 6 1,150 1,537 2.0 Ork 1,250 1,250 267.30 4.2 Crock 1,250	CHB 116.50 +1 164 107.50 0.9 . SIGF A 15.7 +1 15.50 +1 16.50 +1 16.50 12.50 16 . SIGF B 16.50 +1 16.50 +1 17.30 12.58 18.1 SIGHMA 11.950 -1 18.50 +1 17.50 +1 17.50 12.58 18.1 SIGMAF 17.50 -1 18.50 +1 17.50 18.5	50 182 108 50 27 19214 1,000 +1 1,140 50 148 109 27 - HCubi 788 +7 844 155 114 35 - HCred 1,960 +10 2,120 1 360 192 14 19304 955 +6 1,060 50 58 32.60 - HMard 1,820 -30 2,110 1	360 - Nshahr 519 +29 582 329 .		8 174 4 204 12 A 425 + 05 4.95 4.05 812 - 4 94 312 813 - 4 375 194 37 + 4 375 194 4 185 184 95
The Control of the Co		2 400 152 4.1 BNESAG 950 -50 3.780 900 Dyn 10 535 321 1.9 8 Roma 1.428 -12 1.875 1.253 1.8 Fok 17 445.90 305.70 3.1 8 Roma 18.250 +150 19.590 13.800 2.4 Hat 20 742 438 10 2.8 8 Roma 18.250 +150 19.590 13.800 2.4 Hat 20 742 438 10 2.8 8 Roma 18.250 -50 11.000 7.060 2.9 Hat 25 438 10 2.8 8 Roma 18.250 -50 11.000 7.060 2.9 Hat 25 865 600 8.4 CRA 18.67 -13.2000 815 5.6 Roma 19.9 122 3.4 Croma 1.750 +12.1 1.523 1.150 3.2 No. 1.99 122 3.4 Croma 1.750 +12.1 1.523 1.150 3.2 No. 1.50 7.77 1.8 Croma 1.750 +12.1 1.523 1.150 3.2 No. 1.50 7.77 1.8 Croma 1.750 -42.190 1.537 2.0 Ork 2.2 885 473.10 4.4 Croma 1.770 -4.2.190 1.537 2.0 Ork 2.2 136 82 60 3.3 Drueli 12.100 +80 12.300 8.270 1.4 Nor 2.2 136 82 60 3.3 Drueli 12.100 +80 12.300 8.270 1.4 Nor 2.2 136 82 60 3.3 Drueli 12.100 +80 12.300 8.270 1.4 Nor 2.2 136 82 60 3.3 Drueli 12.100 +80 12.300 8.270 1.4 Nor 2.2 136 82 60 3.3 Drueli 12.100 +80 12.300 8.270 1.4 Nor 2.2 136 82 60 3.3 Drueli 12.100 +80 12.300 8.270 1.4 Nor 2.2 136 82 60 3.3 Drueli 12.100 +80 12.300 8.270 1.4 Nor 2.2 136 82 60 3.3 Drueli 12.100 -30 6.830 4.650 2.5 Nor 2.2 136 82 60 3.8 Roma 1.500 -30 4.480 2.725 1.8 Nor 2.2 139 408 60 3.8 Roma 1.500 -30 4.480 2.725 1.8 Nor 2.2 139 408 60 3.8 Roma 1.500 -30 4.480 2.725 1.8 Nor 2.2 139 408 60 3.8 Roma 1.500 -30 4.480 2.725 1.8 Nor 2.2 139 408 60 3.8 Roma 1.500 -30 4.480 2.725 1.8 Nor 2.2 139 408 60 3.8 Roma 1.500 -30 4.480 2.725 1.8 Nor 2.2 139 408 60 3.8 Roma 1.500 -30 4.480 2.725 1.8 Nor 2.2 139 408 60 3.8 Roma 1.500 -30 4.480 2.725 1.8 Nor 2.2 139 408 60 3.8 Roma 1.500 -30 4.480 2.725 1.8 Nor 2.2 139 408 60 3.8 Roma 1.500 -30 4.480 2.725 1.8 Nor 2.2 139 408 60 3.8 Roma 1.500 -30 4.480 2.725 1.8 Nor 2.2 1300 805 4.2	28 180 +1 213 120 2.8 Skriske 154 +3 St 70 +1 97 60.50 5.0 Skrisks 207 - H 92 +4 105 80 3.3 Spatch 77 +2 T4 40 + 10 16 80 4 Staden 136 50 +1 Hyd 281 50 +3 790 50 216 50 2.1 - Staden 136 50 +1 Hyd 281 50 +3 790 50 216 50 2.1 - Staden 136 50 +1 Hyd 281 50 +3 790 50 216 50 2.1 - Staden 136 50 +1	50 188.50 108.50 1.3 Histor 1,200 +20 1,330 +13 310 137 1.8 Hizzen 536 +6 565 50 85 60.50 Histor 2,370 2,479 1 50 140 93 6.5 Histor 257 +2 435 50 140 93 6.5 Histor 257 +2 435 +2 110 50 67 71 Histor 2,370 -30 2,470 7 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	.140   Natric   2,480   +70 2,650 1,900 1   880   Name   1,030     1,350 827   320   Name   337     1,350 827   320   Name   337     3,65 150   ,989   Nitionk   1,520   +30 1,690 1,240   223   Name   2,160   +20 2,450 1,440 6   572   Nitione   940   -3 953 533   572   Nitione   940   -3 953 533   573   Octobro   725   +16 759 601   130   Object   855   -6 880 601   487     Oto E)   859   -25 1,010 441   650 14   Otograf   1,140   +10 1,150 516		A 144 154 104 28 24 27 28 24 27 28 24 28 24 28 24 28 24 28 24 28 24 28 24 28 24 28 24 28 28 28 28 28 28 28 28 28 28 28 28 28
	Colored 1,058 -4 1,148 954 9.0 Intraff 325 C'cleir 174 -3 203 145 6.0 Introf 252 Colored 4,050 -10 4,090 9.125 Dispit 1,312 -18 1,400 1,082 2.1 Intro 252 Electro 8,820 +200 7,490 5,590 8.1 Intro 252 Electro 3,850 -20 3,245 2,475 4.9 Intro 127,80 GBL 3,820 -100 4,300 3,200 5,1 Intro 127,80 GBL 3,820 -100 4,300 3,200 5,1 Intro 127,80 GB GD 1,454 Intro 1,800 1,090 2.7 Interpret 306 GB GD 1,454 Intro 1,800 1,090 2.7 Interpret 358 +18 Evrent 1,840 -15 1,970 1,418 3.6 Interpret 460 66	2 126 62 60 27 6 6 6 6 6 7 7 7 7 8 9 9 7 7 7 8	H 92 +4 105 80 3.3 Spatch 77 +2  14 40 +10 16 80 4 Skaden 136 50 +1  Hyd 381 50 +3 790 50 216 50 2.1 Skaden 136 50 +1  100A 210 +5 233 170 0 7 Skaden 136 50 +1  100A 210 +3 222 181 0.8 Skaden 136 50 +1  100A 280 +1 333 296 1.7 Skaden 129 50  100 162 +5 200 105 - Skaden 122 50 +1  100 162 +5 200 105 - Skaden 122 50 +1  100 162 +5 155 128 3.1 TV4 110	50 151 94 50 2.3 DL 470 +3 492 50 125 87 27 ParaC 785 -20 879	1.50 Utbeshi 855 -6 880 601 487 Utb D 859 -25 1.010 441		m 214 42 224 134 8 105 4 124 75 8 105 4 124 75 8 25 27 244 144 2 25 24 2 25 25 25 25 25 25 25 25 25 25 25 25 2
	EthAC 2.830 -00 3.245 2.475 4.9 Large 353 -7.  Fortis 3.800 -100 4.300 3.200 5.1 Larger 1.350  GBL 3.820 -100 4.300 3.200 5.1 Larger 306  GB Go 1.454 1.600 1.090 2.7 Larger 306  Genting 10.825 -75 11.750 7.800 4.2 Larger 258 +18  Great 1.840 -15 1.970 1.418 3.6 Lycaux 459.50  Groot 3.450 -30 6.000 2.825 2.2 Micros 259.10 +4.  box 3.445 3.445 2.605 Mounts 259.40 +1.  kmmobi 2.180 +30 2.900 1.825 6.8 Maybox 89.40 +1.	7 1,481 1,041 1.3 EM 6,850 +15 6,170 4,910 . Pett 7 364 21250 2,4 Edition 7,890 -110 6,046 5,900 2.5 Red 10 840 621 0.6 Forfin 825 -3 1,723 810 Red 5,100 -30 6,630 4,670 1,0 Sag 2 539 408 40 3,8 Path 2,850 -30 4,480 2,725 1.6 Sag 20 239 90 185 1.4 Red 2,850 -30 4,480 2,725 1.8 Sch 10 129 65 8,7 Finner 7,120 -15 4,400 2,805 4.2 . Sm 3 1,075 615 7.6 Finner 7,120 -15 8,340 4,300 8.4 Sin 50 6,930 3,334 1,4 Germins 610 +1 1,440 5,79 4.9 Und	486 74 50 +1 88 50 68 50 2.7 Trello 85 486 74 50 +1 88 50 68 50 2.7 . Trelans 101 +2 54 59 99 67 1.3 . Yolyok 157 +3	+2 145-30 55 1-2	550 1.0 _ Disson 2,160 +90 2,550 1,450 510 Disson 3,470		01. 7.04
	Immobil 2,180 +30 2,900 1,825 6.8   Market 800	3 148 105.20 8.7 Finder 7.120 -15 8,340 4,300 8.4 516 50 6,830 3,334 1.4 German 810 +1 1,440 579 4.9 Und 210 163 8.4 SenAss 36,250 -200 41,700 34,500 1.0 Wall 23,5670 233,40 8.3 BTP: 15,750 +100 25,900 13,140 2.5 Wall	B 104 - 50 125 87 50 1.9 bx 90 50 - 3 50 113 76 3.3 <b>SWITZERLAND (Miss</b> yms 139 155 109 14	18 / Frs.) Success 1,540 -20 1,980 1	.070		1612 — 2013 164 1613 — 2014 16 2014 341, 265 2014 — 4, 511, 451, 2014 — 4, 511, 451,
	Ozaick, 3,165 -10 3,530 1,995 1.1 Petraya, 216 Petraya, 302 -2 466 280 5.8 Petraya, 108 20 Petraya, 302 -2 466 280 5.8 Primis 108 20 Primis 6,000 +130 8,540 4,000 3.8 Primis 775 Sibels 7,230 7,310 5,300 3.0 Primis 1,147 Social 2,445 +110 2,580 1,805 4.7 Primis 495 80 +41 Social 6,420 -190 7,500 5,150 1,4 Primis 1,268	20 163 50 82 47 MM 10,690 +10 11,840 8,170 47 . POI 3356 30 267 20 1.9 Imm 2,100 -05 2,385 7,850 1.9 POI 4 798 598 1.2 Imm 10,565 -56 13,100 8,295 08 10 1,229 900 29 . Ratem 4,070 20 8,600 3,465 20 EM	AMD   Mar 18 / Zloty) Aux 85 992 BK Vis 1.595	150Fdz	351 Poysu 1,760 +10 1,810 1,130 341 Rypot 531 -4 605 407 130 . Salura 1,160 +10 1,350 878 490 Sanden 855 +10 735 405 800 0.9 Sanden 855 +20 2,580 1,845 0 150 Sanden 872 -15 551	- ShinTi, 5.40 + 05 6.70 3.62	48/2 + 4 51/4 31/4 5/4 + 4 12/4 21/4 16 - 4 18/4 14/2 A 3/4 - 6/4 3/4 2 12/4 17/4 11/2 4 20/4 - 4 3/1 16
	Sibels 7,230 -7,310 5,300 3.0 - PinPr 1,147 + Social 7,230 -7,310 5,300 3.0 - PinPr 1,147 + Social 2,445 +110 2,580 1,805 4.7 - Pringz 485 50 +41 Social 15,100 +75 18,560 12,000 4.1 - Promit 1268 + Social 15,100 +75 18,560 12,000 4.1 - Racich 510 +16 Solver 2,010 -20 2,150 1,450 5.2 - RemyC 147.30 +2 Solvey 17,800 -375 18,550 13,200 3.8 - RemyC 147.30 +2 Social 40,000 - 45,900 35,000 1.2 - RemyC 1,090 [retail 11,900 +400 13,450 8,650 3.8 - RhonPA 124 -	50 517 759.50 8.0	mm 1550 + 50 1780 6 40 1 0 BARAGE 1 210 MARAGE 1 248 MARAGE 1 258	1.480 1.014 2.1 JnScwth 300 +2 360 +1 290 195 2.1 JnScwth 300 +2 360 +2 1 290 195 2.1 JnScwth 300 +2 360 +2 297 136 84 +4 297 10 620 455 1.8 JpMth. 537 -5 745 10 620 455 1.8 JpMth. 537 -5 745 +8 1.600 629 14 JRE28 538,000 +1,000 545 20 4 1600 645 1.4 JpSch 313 -4 391	181	Suitaß 10 50 + 05 11 55 6 20 2 2 17 9 12558 Using - Telestr 27.40 + 10 32.50 25 45 3.6 2409 Lauri	25 284, 234, 234, 234, 234, 234, 234, 234, 23
	Trespi 11,900 +400 13,450 8,650 3.8 RhonPA 124 UC8 50,050 +1,255 53,800 22,800 1.2 Riucial 1,077 UniMin 2,25615 2,490 1,765 8.3 SLUC 770 SAT 2,774 SGE 128,20 +- CZECH RSP (Mart 18 / Koruna) SGSTara 193,40 +16	137.50 84 35 13 1.129 808 70 787 589 73 12 2.398 1.601 10 10 210 93 10 59	FischB 1,475	-7 404 345 JOSTW 313 -4 391 -7 404 345 JOSTW 313 -4 391 -7 121 90 32 JOSTB 686 -22 760 -10 5,650 3,425 1.8 JOSTB 680 -2 725 -2 443 280 27 JT 985,000 +0,000 1222 2 -9 610 443 4.0 JOY66k 809 +1 870	103 Secom 8,500 7,290 4,950 0 435 Sequin 4,560 +20 6,080 2,530 381 Sepuin 4,680 -170 5,200 2,750 7000 Semot 1,770 -10 1,800 7,410 0 711 0.7 - Seryof 972 +2 1,160 750 677 Seryo 1,170 -10 1,370 985	78msh 8.55 + 70 9.05 4.60	30 2 4 5 22 12 25 27 12 27 1414 28 2 27 12 28 27 12 14 14 7 15 12 14 14 14 15 12 14 14 14 14 14 14 14 14 14 14 14 14 14
	GidSpo 222 336 149 2.3 12.8 StLoui 1,438 Cez 1,010 -5 1,445 935 6.1 Sancia 370 + Colday 2,950 +20 3,400 1,765 1.4 20.9 School 223 90 +2	10 3 562 2 412 1.0 12 684 517 3.6 10 1 600 1 267 4.6 20 380 213 24 10 275 131	FritoRo 476 Het/Rg 555 Het/Rg 555 Het/Rg 950 Het/RS 897 Het/RS 897 Het/RS 187	605 550 2.1 Justo 2,650 -20 2,540 1 -3 1,080 800 1.8 K00 8,800 +160 9,810 0 +8 990 765 1.8 Kagama 970 1,230 +8 990 765 1.8 Kagama 1,030 1,170 +8 207 50 153 1,7 KalorPn 889 +8 1,270	Selection   1,310   -20 1,510   637   638   -20 1,510   637   638   -20 1,510   637   638   -20 1,510   637   638   -20 1,510   637   638   -3 415 237   -3 415 237   638   -3 415 237		183 +1 213 16  8A 5012 +11 2653 43  8F 783 -1 223 183  8F 1019 213 84  81 81 114 64
	### 280 280 047 50 43 10.1 Set SA 731  **RomBink 7.970 -5 1,975 1,115 3.0 17.8 Set Side 360  **Separation 1.620 1,965 965 Set Set 194.50  **Table 4,990 4,990 2,900 8.8 14.6 Side 1,393 +-  **Sunco 473 4  **Sunco 473 4  **DESELARK (Mar 18 / Kr) Side 7,725  **Soccion 547  **Sunco 647  **Sunco 473 4  **Sunco	4 800 442 1.9 6 384 286 5.9 60 218 123 10 4 0 23 1.820 915 1.4 10 504 377 10 6.8	James 642 James 121 Mendeg 257 Macall 2,158	-1 790 500 22	1050	GS8748 Mend 98282 Mots Astini 2,950 -125 3,950 2,000 2.7 375338 Moor BaBaiF 5,000 5,950 3,149 2.0 26044 Nang Bridge 9,575 +325 10,150 4,375 11526 NacTi BPTmor 2,375 +75 3,625 1,525 2.1 226416 NacTi HASamp 24,025 +225 29,700 10,000 0.8 149235 Name NASamp 24,025 +225 29,700 10,000 0.8 149235 Name NASamp 24,025 +235 29,700 10,000 0.8 5850 Name	74 25 185 25 185 25 185 26 185 26 174 186 0.85 26 174 174 174 175 175 175 175 175 175 175 175 175 175
MARKET ME STOCKS VERLEY	Souther 1,846 +	10 504 372 10 68 10 504 372 10 68 10 504 372 10 68 10 504 372 10 68 11 625 486 44 17 1,842 725 1.8 18 1,978 1,131 3.8 18 48 325 3.8	Private (450) Pr	16 8 49 6 1 860 1,370 1,370	2020 STSSE 1,210 -501,270 925 400 STSSE 1,280 1,430 938 957 STSSE 1,140 1,340 918 266 STSSE 375 650 274 1 216 STWALL 505 -5 616 330 270 STWEW 525 -1 673 351 435 STWEW 528 -1 673 361 436 STWEW 528 -1 673 361 436 STWEW 540 +77 557 348 5420 STWEM 540 +77 557 348 5450 STWEM 540 +77 557 348		### #2 72% 34 ### 20 214 18% ### - 612 414 ## 81% +12 121 818 ### 25 +12 30 2112 ### 2014 -12 2014 1514
	Add A 475 650 430 3.2 Somme 1,500 Addres 291 -1 357 290 1.7 Surac 550s Briadm 210 +3 216 164 2.4 Surac 192.40 +2.1 Carl A 313 +2 371 242 1.1 Symbol 394 Carls 313 -1 329 242 1.1 Takin 1,690 Chicaga 635 +1 640 470 0.5 Tehrip 440 - Codes 635 +1 640 470 0.5 Thinds 114.80 - Codes 650 1,100 675 2.4 Total 324 -3	ROCKWE 90 93 28 ROCKWE 90 97	Retto 67,460 - GGS Br 2 490 - SQS Re 460 SARI Br 708 SARI Rg 158	50 185 111 8.2	711 Sony 8,280 +10 7,030 3,730 831 - San 8 680 762 520	1.5 1287380 Nove 37220 Nove 7202 Nove 7202 Nove 7202 Nove 7202 Nove	## 6779 + 7 66 4 45 4 1279 + 19 134 64 120 1879 + 19 134 64 1879 + 19 134 54 8E 54 + 19 81 54 1412 + 14 1612 12
	US128 120,000 72,000 96,000 0 4 Temes 324 + 3 3 4 + 3 5 4 5 5 5 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6	0 161 108.30 4.1 0 516 335 3.1 547 440 5.0 6 827 427 3.8 4 \$05 388 76	Snozer 1,314 Snozeg 1,320 SAGAM 450 SchwC 1,305 Schwd 1,320 Shage 48 50	+5 1 416 650 1 1 KobeS1 307 -3 350 -25 525 351 KokeM 700 -10 639 -68 1,620 940 2.1 Kokee 2,0002490 -10 1,580 980 2.1 Kokee 2,0002490 -65 45 3.2 Kokee 817 +14 928	183 SumBid 770 857 496 520 SumBid 2,100 +10 2,320 1,450 1,370 SumCing 532 -2 572 331 1,870 SumCo 1,030 -10 7,170 730 565 SumEis 1,370 +40 1,450 942 566 SumEis 1,370 +40 1,450 942 566 SumEis 1,370 +40 1,750 1,790	3133 Oshii	F 11 121 634 27 654 37 654 135 65 17 1779 105 6 81 81 81 57
	Dicette 445 \$47.04 312 Ustror 88.50 +1 DenDsk 370 -3 488.55 296 4.3 Welloo 256 +1 EAsket 173 175 100 8.0 Welloo 229 -4 FLS B 460.69 +5.68 585 425 2.5 Wellow 279.60 +7 Gallord 445 +8 550 380 2.7	D 785 194 12 D 780 USJ 10 4.1 D 282 197 10 4.3	Strins 5.88 Sutzing 777 Sutzor 744 5misikir 452 Swisikin 452 Swisikin 226	+4 592 437 Kontal 741 +14 843 -3 910 630 26 KayaS 957 -1 1,030 +3 908 580 27 Kubota 678 +2 723 +2 484 336 3.5 Kupata 406 -4 625 50 242 168 3.5 Kupata 412 508 -21 1,354 715 1.7 Kupata 1,100 -10 1,120	610 Sumitive 370 +2 455 220 514 Sumitive 380 +2 423 260 353 22 Sumitive 859 +5 913 636 ( 290 Sumitive 310 +3 352 214 910 Sumitive 940 +7 1,090 607	DCB 8.45 + 10 8.70 4.62	THE X 37% - 10% 7% 10% 7% 10% 10% 10% 10% 10% 10% 10% 10% 10% 10
	Hatsille 159 -51 165 100.21 GERMANY (Mar 18 / 155 B 738.75 -4.25 190 109 1.8 Hatsille 1,420 +20 1,425 1.280 1.8 January 1,75 -1 397 332 2.1 AES 163.50 +2.1 January 1,75 -1 397 32 2.1 AES 163.50 +2.1 January 1,75 -1 397 32 2.1 AES 163.50 +2.1 Janu	Om.) 20 167 121 10	Surery 12.39 S'airR 1,158 UnBuBr 1,305 With Rg 790 With Rg 790 Zing Rg 349	40 1 180 570 _ Kurebe 497 +17 565 +7 1345 996 25 - Kurte 2,430 -40 2,980 +6 839 611 2.2 - Kotre 6,860 +30 8,960 8 +5 825 562 2.2 - KrdeSh 400 +1 440 +6 364 229 - Kytere 621 -8 780	335 - SumOsa 433 +5 610 295 1,880 SumFix 789 -5 794 482 1 2,910 - SumFix 897 +7 965 506 279 1.2 SumTrB 1,330 +30 1,600 980 510 - SumWins 670 -4 720 455	1.2	67 94 +1 17 95 85 131 171 134 171 134 171 134 171 171 171 171 171 171 171 171 171 17
	Komog 235.35 +.25 260 192 68 AVA 413 L1298 735 1,445 550 0.5 AeMinPg 1,200 + NKTAVS 280 +2 375 250 4.3 Address 103 +4.1 NSelC 2,100 2,400 1,780 1,7 Alinz 2,574 -1 Number 734 Bo2 505 0.2 Aligne 981	ROCK 8 585 387 34 - 10 1,145 870 1.5 0 10180 70.15 4 2,944 2206 0.5 6 1,013 613 1.4	TURKEY (Mar 18/1	KycureH 914 -20 1,030 KycePu 2,410 -10 2,584	1300 +10 1330 826 2000 - TDK 5.210 +80 5.680 3,400 1370 - Takek 712 +17 745 501 476 - Takek 720 - 2.120 1,500 7 705 - Takek 618 +6 728 335 922 0.9 - Thrash 1,120 1 300 600	Langen 7.05 -05 11 80 4.30 2.8 322858 Reprint 1.0	1212 - 1214 534 1442 - 16 11 2572 284 224 118 1212 - 187 1112 118 374 291 257
	Potagu 522 +22 650 480 3.1 Asko 923 PadioB 405 436 254.78 2.0 BASF 400 Sincle 127 158 81.50 Burny Pt 573 Sophis 647 +4 674 456 0.5 British 505 Sophis 650 +3 587 50 456 0.5 British 363.50	2 870 535 12 3 401 274 91 25 6 612 482 2.4 6 430 477 1 2 422 314 3.1	Akbank 18,250 + Arcs 8,100 + Cuket 39,000 - Epsir 25,500 + NNM 17,500 +3	500 23,000 9,200 1.4 Maide 987 1,170 100 14,000 4,750 1.2 - Maide 1,030 1,140 49,500 7,700 0.3 Maide 1,580 +20 1,850 500 56,000 2,000 Mrteni 564 +5 584 500 55,000 8,400 3.9 Mrteni 355 -4 445 100 65,000 18,000 Maruna 355 -4 445	470 17 mays 1,550 +20 1,660 1,070 1,000 Thubech 1,550 -40 1,780 1,000 404 Tansel 728 -3 830 601 556 1.9 Tolin 563 +1 580 400 276 Tolicki 685 -5 755 481	Hallin   2.08 -D4 2.40 1.40 3.3 961346 RD76   1.00	100 174 174 174 174 174 174 174 174 174 174
Think I PM	Supris 524 +4 585 375 2.9 Bayer 482.50 +7. TeleDa 325 -5 383 253.57 3.7 Bayer 38.20 + TopDan 630 785 506 1.6 BldwB: 806 UnidnA 261 -1 321.88 212.57 3.8 Bayer 432.25 Wessel 270 +5 400 230 2.2 Brank 406.50 BHF Bk 39.30 -1 88680 551	5 45 38 25 3.4 CByst 795 +21 2 116 713 11 1 239 920 1.3 Pirel 1,970 -6 3,715 1,810 2.5 7 457 268 50 1.7 Pirel 1,970 -8 3,715 1,810 2.5	+/- Mage Low 7nd P/F Peskim 68,000 -1, TGaBon 6,700 + TGBOF 7,800 + Turken 18 / Escudo) Turken 18,250 - Turken 105,000 +6	500 15.550 3.550	1.180 1.7 — Tekless 753 +17 1.020 858 1.600 — 10eCos 727 +1 955 547 (850 — 170eCos 727 +1 955 547 (1200 — 170eCos 727 +1 955 547 (1200 — 170eCos 727 +1 955 547 (1200 — 170eCos 727 +13 890 503 (1460 — 170eCos 962 113 890 503	7.7 PetGet 10.40 - 10.10.60 8.10 800 St	## 18 + 19 184 114 115 115 115 115 115 115 115 115 11
	PARLAND (Mar 18 / Miles)  PRILAND (Mar 18 / Miles)	7 457 268.50 1.7 PirSpa 2.205 +15 2.500 1.917 BCX 0 43.45 36.25 Prentifit 395 +25 1.488 330 BCX 1 788 495 2.5 RAS RI 8.100 -50 10.297 7.518 3.7 BES 16.240 18.830 13.468 1.5 Best 16.240 18.830 13.468 1.5 Best 16.240 18.830 13.468 1.5 Best 10.715 -100 10.950 7.830 2.0 Mox 5 765 634 2.6 SAI 16.100 -200 21.000 14.510 1.3 PTe 5 1.282 970 1.2 SAI 16.100 -200 21.000 14.510 1.3 PTe 5 1.282 970 1.2 SAI 16.300 -20 9.250 5.730 3.8 Soi 0.351.30 312 3.6 SASIBS 8.260 +80 8.580 8.145 3.2 Unit	7P1 7,998 +15 2,267 1,401 5.0 bort 2,115 +5 2,250 1,831 2.6 surf 2,382 +6 2,595 1,966 6.3 cTA 2,850 -10 3,374 2,312 7.0 cTA 4,195 +15 4,340 3,317 8.6 km 3,480 +40 3,550 2,700 km 3,480 +40 3,550 2,700	Maisri 765 +10 885 Maisri 765 +10 885 Maisuz 1,190 -20 1,370 Mazashi 404 +14 585 Maisri 648 -7 737 Maisri 840 -5 878	565 Tool	RethPM 22.9010 23.60 15 14.6 48960 See 38.60	SC SL 1 81 512 14 451 +1 467 391 11 177 201 115 11 157 -1 151 124 Ar 164 271 94
・ 管理 ・ 中部 ・ ・ ・ ・ ・ ・ ・ ・ ・ ・ ・ ・ ・ ・ ・ ・ ・	Adito A 165 +2 220 125 3.0 Collinz 1,135 Cultor 195 -1 200 120 2.3 Crispan 515.50 Cultor 205 +3 205 118 2.2 Control 25.77 Enso A 34.20 +.70 41.70 26.10 2.9 Datent 512.50 +2 Enso R 35 +1.10 42 25.20 2.9 Datent 512.50 +3	8 27.15 18 60 16 SASTE 3,450 +10 5,100 3,350 64 -		Majing 648 -7 737  Majing 840 +5 876  Micks 840 +5 876  Micks 880 +5 839  10 1,280 853 - Missingh 843 -12 1,370  -8 824 396 - Missingh 843 -12 1,370  -8 824 396 - Missingh 843 -12 1,370  -8 824 396 - Missingh 843 -12 1,370  -8 10 1,370 821 - Missingh 2,270 +10 2,530  -10 1,370 821 - Missingh 2,270 +10 2,530  -10 1,370 821 - Missingh 843 -12 1,370  -8 10 1,370 821 - Missingh 843 -12 1,370  -8 10 1,370 821 - Missingh 843 -12 1,370  -8 10 1,370 821 - Missingh 844  -1 1,370 - Missingh 845  -1 783 294 2.0 Missingh 847 +6 542  -1 783 294 2.0 Missingh 846 +8 595  -20 3,540 1,150 - Missingh 862 -3 875  -20 1,420 880 - Missingh 624 -16 732  -5 805 543 1.2 Missingh 624 -16 732  -5 805 543 1.2 Missingh 624 -16 732  -5 805 543 1.2 Missingh 847 +15 470  -10 1,250 915 - Missingh 1,680 -30 1,790  +3 397 238 1.6 Missingh 1,680 -30 1,790  +3 397 238 1.6 Missingh 1,680 -30 1,790  +3 397 238 1.6 Missingh 910 +8 953  -40 1,350 860 - Missingh 910 +8 953  -40 1,350 865 - Missingh	521 0.6 Toldon 520 +4 604 320 1,030 0.8 Toldolf 1,280 +10 1,480 925 1 492 Thysins 577 -8 812 390 300 Thysins 577 -8 812 390 691 0.8 There 1,720 -20 1,860 1,190	7/201605 22.30 +.40 23.10 15.60 0.7 532711 Sheld 10.5 10.70 -20 11.30 8.55 1.1 145112 Sum 0.5 Unsegna 16.8010 16.80 10.40 0.1 3450 Trate 248363 Task 426140 Task 10.5 MEN ZEALAND (Mar 18 / NZ S) 3860 Telep	8x 23½ 44 434 31 8x 23½ 24¼ 18½ E 30% 44 32 20½ 8 32% 44 32 20½ 8 32% 44 32 20½
	FinntA 37.8010 · 41 28 1.3 ··· D(8ab 92.50 +: Finnth 77 -2 98 68 3.9 ··· DechBe 72.85 Rock K 240 ··· 339 175 2.8 ··· DSSRey 35 Hight I 146 172 103 2.7 · Dougle 50.70 Hunt K 142.50 -2.50 172 101 2.8 ··· DeckBe 97.07	0 205 78 54 STET R 3,315 +45 4,365 2,870 3.9 -	AINA 1.070	10 1.130 895 0.5 Machem 540 -8 576 10 1.370 821 Machem 540 -8 576 40 1.250 723 Machem 760 -10 815 40 1.500 986 Machem 760 +10 815 +5 740 429 2.0 Machem 477 46 649	351 TIGHE 2,690 -20 2,830 2,485 890 TIGHEN 3,690 +70 4,720 2,330 539 TIGHEN 3,690 -2 4,72 3,33 880 TIGHEN 523 -8 644 3,75 331 TIGHEN 1,880 -10 2,520 1,840	117442 Telli 11744	1815 -1 171 1416 171 20 1314 1816 21 1816 1818 2215 -1 255 1912 1818 2215 -1 1516 1012
	Kernira 41.10 +5.0 42 31.50 3.8 GEA 531 Keshira 41.10 +5.0 42 31.50 3.8 GEA 531 Keshira 58.50 +20.50.60 41.20 3.2 GEHE 767 Kenne B 500 +25 560 295 2.0 Ernstim 268.90 + Kyminan 127 +1.50 145 100 5.0 Glebet 525 Minital 11.50 +.10 15.10 16.20 Glebet 525	3 328 290 5.1 Scriblo 5,150 +290 5,150 3,530 19 . AGI -1 623 483 Standar, 19,400 . 36,500 19,400 Alm -7 860 483 1.3 TIM 2,770 3,000 1,938 0.4, Arg -10 296 220 1.9 TIM Sv 1,730 +1 1,939 1,371 BAr -10 822.20 505 2.7 Tecsps 2,500 -50 3,935 2,320 5.2 BAr -498.50 275 4.8 Telects 2,450 +60 2,906 2,000 BBr	- gash shoanneishii Annse 1.1/V	-5 783 294 2.0 MbHuy 855 +12 887 -5 783 294 2.0 MbHust 545 +8 595 -20 3.540 1,150 MbHust 602 +4 973 -30 5.080 3,500 0.9 MbHust 862 -3 875 -20 1,420 880 MbPap 638 +8 738 -30 1,240 929 MbPap 638 +8 738	537 Ticky 1.850 +40 1.840 1.160 ( 561 Ticky 612 -37 791 385 ( 683 Tokor 612 +5 583 437 ( 753 Tokor 760 +14 790 620 ( 444 Tokor 668 +3 739 435 ( 310 Tokor 668 +3 7	0.8 Februs 4.48 +.08 5.08 3.90 78245 Trace	R 1412 +15 154 18  R 435 - 51 912  BE 1115; +5 197 10  C 815 +15 115 83  A 1414 +14 165 134
	MrttuB 12 15 10.30 Hartmy 445 MetruA 180 +50 207 138 3.1 HekiZm 975 MetruB 180 +20 210 135 3.1 HinkeP 552 MetruSA 148 216 122 4.8 HinkeP 190 MetruSB 144 216 118 4.8 Hochti 819	Tamba 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9	Thy 5,220 +10 8,620 3,900 4.8 Acrostate 2,950 dail 17,000 -50 18,450 13,650 4.2 Acrostate 2,950 let 3,000 +80 4,960 3,125 3.8 Asshift 1,240 4,960 +80 4,960 3,125 3.8 Asshift 1,240 per 20,100 +60 23,150 15,300 4.3 Asshift 1,220 per 20,100 +60 23,150 15,300 4.3 Asshift 1,160 let 5,600 -10 6,370 4,140 2.5 Asshift 1,160 let 826 +8 934 777 24.8 Asshift 1,160 let 826 +8 934 777 24.8 Asshift 1,160 let 826 +8 934 777 24.8 Asshift 645 let 826 +8 934 777 24.8 Asshift 645 let 826 +8 934 777 24.8 Asshift 1,160 let 826 +8 934 777 24.8 Asshift 645 let 826 +8 934 777 24.8 Asshift 645 let 826 +8 934 777 24.8 Asshift 645 let 826 +8 934 777 24.8 Asshift 1,160 let 826	-5 805 543 1.2 . MbRayn 437 +15 470 10 1.250 915	309 — TomCrp 379 400 280 400 — Tomen 1,530 +201,540 1,280 1,050 — ToppPr 1,340 -101,520 1,040 1,150 — Topy4 659 -1 728 491 396 Tulido 770 +2 889 483	Table 5 5.54 11 8.87 5.03 2832 UCo Withort 9.30 10.50 8.22 9.7 11208 Light 21850 Vices 17045 Vices 17045 Vices 17045 Vices 15800 West	0 64 - 37 294 245 00 64 - 38 265 00 64 134 65 134 6
	Noide 166.80 +1.30 840 130 1.8 Homen 526 +1.00 165.80 16	#80 430 15	SA 3,945 +100 3,945 2,865 2,5 Asks 308 bMr 5,480 +30 5,500 4,700 2.3 Asshyl 490 bmr 2,575 +50 3,290 2,360 1.4 Broshn 1,290 mes 1,345 2,200 1,300 Broths 590 mes 1,345 2,200 1,300 Broths 590 mes 1,345 2,200 1,300 CSA 2,800 + 2,600 1,9 CSA 2,800 + 2,600 1,9 CSA 2,800 + 2,600 1,9 Calois 895		172 - Ishbila 896 +9 777 386 901 0.7 - Ishbila 820 +3 990 667 950 0.9 - Touch 467 +17 514 312 245 - Touch 3260 +80 3.510 2.390		Mer 18 / Can \$) .
	Point 78 +1.10 83.50 40.50 1.3 M6 478 +2.7 Point 82 +2.50 117 75.10 3.0 Ind Wh. 249 -1 Pautint 82 +2.50 117 75.10 3.0 Ind Wh. 249 -1 Pautint 83.60 +1.70 41 50 22.80 5.0 Kaisas 210 Perpoin 9070 104 66 5.0 Kaisas 210 Sampon 280 +2 280 165 1.4 Kretit 5.57 ED 15	-2 232 185 Anold 76 +.70 76 80 50 20 1.5 EW -5 805 565 3.6 AKZO N 180.90 +1 203.70 164 3.8 End -0 879 524 2.3 Alreity 284.20 -20 272.50 277.90 Ent	ris 7,500 9,400 5,500 2.9 . Cases 800 dos 1,515 -5 2,130 1,390 5.6 Cases 800 pAg 1,540 +40 1,560 1,100 1.6 Canon 1,910 es 2,380 2,600 1,900 3.4 Cases 1,000 4,565 1,700 3.7 Cases 1,000 er 2,500 +25 2,825 1,700 3.7 Cases 406	-3 850 500 Market 829 -8 369 -40 2 190 1 290 Market 859 +14 910 170 2 190 1 290 Market 430 +6 454 111 1 270 7 11 1 2 Market 1,150 +10 1 240 -2 495 327 Market 1,850 -300 2,630	517 Toyoth 545 -4 885 418 ( 585 0.7 - Toyoth 545 -4 885 418 ( 291 Toyoth 550 +9 640 450 ( 736 Toyoth 500 -1 625 348 ( 200 Toyoth 500 +170 3.500 2.350 ( 260 0.3 - Toyoth 2,260 +10 2,330 1,560 ( 270 Toyoth 2,260 ( 270 Toyoth	0.9 085 F	108 204 214 114 1174 1174 1174 1174 1174 1174
	SHIPPA 20 -50 58 9.50 Kriter 482 Skopisk 0.30 +.10 3.20 0.06 Kriter 482 Stocker 245 +2 262 185 2.9 Kriter 374 - Stocker 245 +2 262 185 2.9 Kriter 8.50 +.1 Stocker 242 -1 240 172 3.2 Kriter 48.80 +.1 Timper 7.40 15.10 5.15 Kriter 48.80 +.1 Timper 24 + 50 24 40 15 70 21	4 541 E0 432 25 - Bolson 33 10 - 10 37 80 27 10 39 Fee 1 401 335 35 - Bolson 25.40 + 70 35 80 17 80 20 - Gos 13 24 50 5 45 CSM 77.70 + 40 78 80 63.70 21 But 10 127.20 42 10.7 - CSM 77.70 + 40 78 80 63.70 21 Hud 12 54 54 54 72 8 - Caloci 1.510 1.653 1.310 32 be 12 54 54 70 24 - Caloci 1.510 1.553 1.310 32 be 12 54 54 70 24 - Caloci 1.510	TRA +22 912 589 64 Cendle 406  Ne 20,000 +90 21,550 10,120 0.8 CruchO 584  NE 6,350 +30 8,970 5,020 2.6 CruchO 584  Can 3,875 +20 4,300 3,080 3.5 CruchO 618  TO 1,095 +25 1,250 7,00 5.8 CruchE 2430	-9 945 706 NByr' 645 +3 740 -8 649 364 M2Sprt 925 +17 1.050 1.370 657 0.5 MacDPn 1.400 +40 1.741 25 650 446 1.7 Mrsgld 502 -16 602 20 2 520 2 079 Mort 5 2.110 2.470	370	- Hampar 3.12 +.06 8.36 2.82 3.5 - 2000 GTC 2000	B 1112 +1 113 672 tu 105 -1 114 612 tu 105 -1 114 612 tu 105 124 612 60 779 64 478
	Tathro 24 + 50 25.40 19.70 21 [seth6] 510 Valent 114 -1 145 78 3.1 Linde 862 Linch 105 Linch 226 FRANCE (Mar 18 / Frs.) Lump 209.20 + 30 40 50	7 917 717 1.7 DSM 154.20 -20157601165010 Mar 1 369 97 76 Decire 243 +1 10 254 18430 2.1 Mtr 23630 165 18 EVC 56 -2 81.50 39 Por 215 165 5.5 Except 24.30 +10 24 80 14 80 Pry 24850 323 23 Pubber 0.35 -10 14 50 0.30	Proc 8,400 -10 7,200 4 510 2.5 - Chol 2 2,370 cm 3,925 +80 4,300 3,060 1 3 - Churt 8 878 7,310 +50 10,150 7,150 2.7 - Churt 8 878 ca 2,420 +30 2,560 1 860 1.4 - Carol 589 cm 4,575 +20 4,580 3,475 2.5 - Drail 589	HIU 1,040 813 MorMan 3,280 +90 4,350 10 2,489 1,989 NEC 1,150 +10 1,520 16 1,480 707 NCK IN 1,060 1,130 15 891 493 1,0 NEK Sp 1,150 +10 1,480 +7 748 460 NHK Sp 580 -8 655 -2 633 410 NICK	853 Ispanii 543 +3 625 302 740 USE 36311 435 276 865 Undu 305 350 Victor 1,300 +30 1,470 810 189 Waccel 1,230 +30 1,430 930		22 234 165 R 124 -4 134 85
	AGE 145 213.80 119.10 3.1 Manners 518 -1. ACCOP 712 +7 728 521 3.6 Morce 64.93 +1. Akilig 860 -11 942 705 2.4 Mining 31.40 +. Akilig 430 +1.60 538 379.10 52 Musing 3.014	HU 36130 20 70 30 FARWOR 114.30 +2.80 114.50 69.60 2.8 Set 50 \$61.50 351 1.2 Set 64.95 55.80 2.80 Set 64.95 2.80 2.80 2.80 Set 64.95 2.80 2.80 2.80 2.80 2.80 2.80 2.80 2.80	no 440 +7 676 400 11.4 Condos 485 7E) B75 +7 954 511 4.3 Date: 1,180 0CA 5.800 6,000 3.500 2.5 Date: 1,500 401 1,975 +10 2,050 1,470 2.8 Date: 2,020 Fen 659 +12 733 450 6.9 D'chib 1,650	+8 585 365 NOK 780 -9 949 10 1 500 978 NSK 763 +9 808 30 1 550 880 0 8 NTN 701 -3 750 -20 2 100 1 460 NchiFu 485 -3 507 -10 1 850 1 200 Ng'Ny 451 -6 822	7 manag 1,850 —10 1,960 922 448 1.0 — Ymahald 998 +3 1,110 580 471 — Yam5ec 760 +5 898 443 256 — Ymochi 2,310 +10 2,410 1,830 370 Ymtion 1,710 +10 1,770 1,070 629 0.9 — YamKoo 1,030 +10 1,770 528	Netsti 2.75 -05 3.46 2.69 2.9 AFRICA Neptor 182 +03 2.08 1.44 3.4 AFRICA 1.0 008 F 19.30 +30 20.70 11.70 0.8 SOUTH AFRICA OVAINEN 7.95 +10 8.95 6.50 2.0 Paccar 1.20 1.51 1.15 3.3	N (Mar 18 / Rand) 
	Arpri 1,545 2,101 1,395 2.2 Number 1,025  Aria 300.70 +.80 339.80 200 2.7 PWA 198  BLC 564 +12 600 325 1.3 Poinch 780  BNP 193.50 +3 267 182 2.5 Presag 427 +5  BNP 193.50 +3 267 182 2.5 RWE 58.25 +	6 1,555 1,020 1.0 Grisch 68.80 -1.10 70.80 50 2.2 Uro 6 1,555 1,020 1.0 Hayroyr 104 +90 104 52 25 1.9 Val 7 290 186 Height 330 +3.50 300 10 183 1.1 Val 9 910 501 0.3 Height 330 +3.50 300 10 183 1.1 Val 50 472.50 385 2.8 House 287.50 292 230 37 Val 55 81.75 5.85 2.4 House 63.10 +1 80 80 48.20 4.8 287 55 47.22 4 46 3.2 Hender 102 +20 104 64 2.7	Cem 1.375 1.750 1.305 Dankyo 698 hm 2.185 +20 2.510 1.665 2.3 Dynam 730 cm 1.725 +56 2.100 1.115 1.7 Onlying 484 d0 12.940 +190 13.890 9.999 51 Danken 1.070 Content 1.886	-1,130 640	428 - Ymilian 1,180 +10 1,270 891 400 - Ymz8ak 1,900 +40 2,010 1,440 (170 - Yaohan 830 +2 1,050 535 807 - Yaokii 520 +24 560 301 875 - Yazir 737 +15 790 518 (170	76 - Shight 496 -04 605 292 20 ARSA 21. Shight 496 -04 605 292 20 ARG 24. Shight 496 +20 15.70 11.80 1.8 Anic 176. Shight 9.90 11 8.80 Anic 176. Shight 28.10 +40 29 17.25 Amicol 2	75 -25 23.50 11 20 - 25 +20 32 18 76 24 - 13 -2 112 77 4.0 - 50 +25 210 160 20 - 40 - 350 217 21 -
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11 Current in

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0.10 0.5 13 2111 19\(\frac{1}{2}\) 17\(\frac{1}{2}\) 17\(\frac{1}2\) 17\(\frac{1}2\) 17\(\frac{1}2\) 17\(\frac{1}2\) 17\(\frac{1}2\) 17\(\frac{1}2\) 17\(\fra 23 16 2 Allegti Lud 3914 2574 AECTOON 0.48 1.3 35 1842 38 4 37 2 37 8 25 g 15 3 Almae Cap 1.82 7.4 13 165 244 24 24 24 24 2 12'1 Big Alloco G 0 (8 1.5 1173 12 114 12 1.46 4.8 9 52 30\2 30\4 30\2 .\3 0.90 16 18 6493 57 56\2 56\4 \frac{1}{2} \frac{1}{2} 084 80 109 105 1012 1012 0.78 18 11 6453 434 414 424 +12 1 04 3 3 17 1966 32 3058 31 4 +14 35'- 23'- Allei Cip 137 196 414 418 418 אנטטענוענא ביפו גלייב 090 14 1414977 063 % 67 63 % +2 % 36 3250 321, 30% 31% 34 18 3 ALT CO A 73 55 AmGentine 072 12.3 1143 6 574 578 14% 75g Am Prects 0.26 2.1 18 92 127g 123g 125g 95g 41g AmenGd 0.08 1.2 18 2858 7 6% 6% 22 4 16 4 America and a 0.56 3.2 8 165 17 7 17 17 17 17 17 18 55 4 43 4 America and a 0.50 1.1 12 4014 54 4 52 8 54 4 1 2 47% 36% Amems 2 00 4 6 15 3398 44 43 2 43 4 28 1 13 4 Am Bus Pro 0.58 2.5 15 142 23 22 12 23 +12 71 61 Am Cap Inc 0.64 9.0 87 71 71 71 71 71 20 4 16 4 Am Cap Bd 1.54 7.8 34 33 19 4 19 8 19 8 21 4 18 Am Cap CV 136 63 0 46 21 5 21 5 21 5 41 % 31 % AMERW 240 5.7 14 2274 41 % 40% 41 % +1 % 090 18 15 8546 U49 48 8 48 + 4 105½ 61¼ AraHome 3.08 31 15 5807 100⅓ 99 99 +⅓ 35½ 25½ Ara Hotels 0.75 28.6 13 12 25% 025% 25% -⅓ 1025 64 Araholi 0.34 0.4 17 7099 94⅓ 925% 94 +17% 75% 51½ Ara Opp Inc 0.66 11.7 744 5¾ 05½ 55% +⅓ 31¼ 20⅓ Ara Presot 0.40 1.8 10 849 Z2¼ 21⅓ 22⅓ +7% 13 6 4 Am Fest Es 044 5.0 6 80 9 8% 8% 30'4 23'4 Amster 0.56 1.9 14 6780 30'4 29'4 30'4 +14 21 2 17 Apr Web 5% 1.25 5.8 2 21 3 21 3 21 3 21 3 40 2 25 3 Apr Web 1 40 27 14 314 37 3 37 4 37 8 +13 31 24 Am Fin 100 3.3 7 2410 305 297 301 + 4 32 195 Amstrh 212 38 15 8450 561 55 554 + 13 305 2918 Amoron inc 128 23 12 30 38 3874 39 1912 15% Ametek c 024 14 13 210 17% 17% 17% +% 0.96 4 6181 133 21 2034 21 178 26 27 6315 69 67 2 684 +14 25 1481 18<sup>5</sup>2 18 18<sup>1</sup>4 + <sup>1</sup>4 2014 151g Anthony to x 0.44 1 7 25 1115 261g 251g 251g 557g 313g Aon Co 1.36 2.6 15 833 527g 521g 527g 31 2214 Apache Crp 0.28 1.1 62 1926 2614 2512 2614 +58 91x 812 Apec Man F x 0.59 6.5 204 914 918 918 19 1001 2532 2512 2538 +14 16 5773 1612 1578 1614 +58 3513 2214 Appl Per A 0.12 0.4 15 121 30% 30 3014 + 4 0.30 11 12 6556 18% 527g 41 14 Arcos Liberti 2.80 53 9 179 527g 5174 527g + 14 50 3 41 2 Armon 45P 450 93 2100 4812 4812 4812 714 514 Armon 51 1503 558 512 558 26'4 20 Armco 2.1P 2.10 87 4 24'4 24'4 24'4 १४४ २३ १३ ४६७ छार्नु छार्नु छार्नु

83 0.42 5.7 28 13 73 63 2.80 4.4 14 9472 0.40 1.9 10 153 2112 25% 17% Bed h 3312 23 Semis 55<sup>1</sup>2 37 Benef 24<sup>5</sup>8 16 Benefich A 78 38 Bengust B 2918 1814 Bergiller 33 % 12 % Brings 1 0.32 3.6 40 30 12 5 Brunsa 42 29 8 BriffinB = 40% 27% Bifer x 513 314 BRT 24% 18% Brasuk 235 1412 Brish Well x 0.40 2.2 14 15 1814 18 1814 24 19% BuckeyeCel 275 22% 22% 22% 22% 22% 23% 30% 30 Buckeye Pt 3.00 7.9 9 69 37% 37% 37% 14 8 8 2 Bust Coat 28 1151 12 12 1173 1179 -14
86 3 70 12 Burth 2 1 20 1.4 51 5403 486 3 83 4 86 +276
42 4 33 5 8 Burth Resc x 0.55 1.5 16 27 17 37 12 56 3 37 5 +4 1412 912 Burnham Pc 1,00 92 14 45 1078 1071 1072 374 21% Bust Boale 3178 2278 CMS En 0 96 3.3 12 3038 2978 2878 2912 +118 12314 6414 CMA Fn 9 221 11234 112 112 -12 

63 28 CabotC

17<sup>1</sup>/<sub>2</sub> 11<sup>1</sup>/<sub>4</sub> Costin&Ck

75 4 48 4 Catok

277<sub>2</sub> 131<sub>2</sub> COI Corp

1114 8 CentEn

27 Certary Ti

31 14 <sup>3</sup>8 ChampErt

60<sup>1</sup>4 36<sup>1</sup>3 Cumpli z

45 4 12 4 CadriceDogn

072 1.1 13 301 u63 62% 62%

17 12<sup>3</sup>g Catoot O&G 0.16 1.1 3 325 14<sup>3</sup>z 14<sup>3</sup>z 14<sup>3</sup>z + <sup>1</sup>g 5<sup>3</sup>z 12<sup>3</sup>z Catoot O&G 0.16 1.1 3 325 14<sup>3</sup>z 42<sup>3</sup>z 42<sup>3</sup>z 43<sup>3</sup>z + <sup>1</sup>g

1658 912 CalFedBox 11 836 1514 1558 1558 173 118 Cal Real E 0.20 14.5 45 5 178 173 172

13<sup>1</sup>a 10 Catpon Con 032 25 24 2927 12<sup>7</sup>3 12<sup>1</sup>2 12<sup>7</sup>8 +58 50<sup>1</sup>a 35<sup>1</sup>2 Cation 072 18 843 44<sup>3</sup>a 43<sup>5</sup>8 44<sup>3</sup>a +1<sup>1</sup>a 23<sup>1</sup>2 15<sup>1</sup>8 Catingy 18 4128 u23<sup>1</sup>2 23 23<sup>1</sup>8 +1<sup>1</sup>8 28<sup>1</sup>8 11<sup>1</sup>a Chresport 024 0.9 19 4525 u28<sup>1</sup>8 27 27<sup>7</sup>3 +78 21<sup>1</sup>8 16<sup>3</sup>8 Cational Co 1 040 22 19 45 18<sup>3</sup>8 18<sup>1</sup>8 18<sup>3</sup>8 18<sup>1</sup>8 +1<sup>1</sup>4 67<sup>3</sup>8 41 Composis 1.24 19 21 4277 63<sup>5</sup>8 62<sup>7</sup>8 63<sup>5</sup>3 41<sup>1</sup>8 11<sup>2</sup> 12 12 Composis 1.24 19 21 4277 63<sup>5</sup>8 62<sup>7</sup>8 63<sup>5</sup>3 41<sup>1</sup>8 11<sup>2</sup>8 12<sup>3</sup>8 Composis 1.24 19 21 4277 63<sup>5</sup>8 62<sup>7</sup>8 63<sup>5</sup>3 41<sup>1</sup>8 11<sup>2</sup>8 12<sup>3</sup>8 Composis 1.24 19 21 4277 63<sup>5</sup>8 62<sup>7</sup>8 63<sup>5</sup>3 41<sup>1</sup>8 11<sup>2</sup>8 11<sup>2</sup>8

0.20 0.4 11 2946 53 1 52 2 53 2 er 0.05 0.9 12 1459 5 5 5 5 2 5 2

3 464 1612 1574 1612 1.40 1.9 12 8679 73% 77% 73%

55 ½ 2012 CaseCp 0.20 0.4 11 2946 53 ½ 9% 4 % Cash Amer 0.05 0.9 12 1459 5%

1314 914 ECC IND

251<sub>8</sub> 13 EG&G 4 4 3 2 EA locks

24 4 21 5 Envir

080 7.1 12 38 11<sup>3</sup>g 11<sup>1</sup>d 11<sup>3</sup>d 1100 2.0 13 102 50<sup>1</sup>g 50<sup>1</sup>g 50<sup>1</sup>g 50<sup>1</sup>g 108 9.3 9 103 11<sup>3</sup>d 11<sup>5</sup>g 11<sup>5</sup>g 11<sup>5</sup>g 75 133 29<sup>3</sup>d 28<sup>3</sup>d 28<sup>3</sup>d 116576 13<sup>3</sup>g 12<sup>3</sup>d 13<sup>3</sup>g 12<sup>3</sup>d 13<sup>3</sup>g 180 2.8 25 4039 26<sup>3</sup>g 27<sup>3</sup>d 28<sup>5</sup>g 67<sup>1</sup>g 67<sup>3</sup>g 16 1028 068<sup>3</sup>g 87<sup>3</sup>g 87<sup>3</sup>g 87<sup>3</sup>g 67<sup>3</sup>g 851 31 % Cymc 19<sup>1</sup>g 6<sup>3</sup>k DataGn 2<sup>3</sup>c 1 Datapoint 2 to 1 Datapoint

1 103 136 14 138

1712 814 Dants W8W 0.60 3.8 11 28 1618 16 16

8612 8314 Dayont 1.76 2.0 21 7674 48612 8458 8638 +238

318 1 DOL D 39 202 212 238 238 -18

814 234 De Son 0.14 2.6 5 230 534 538 5378 -14

3114 2518 Dean Foods 0.72 2.8 14 344 2578 2512 2558 -14

5814 3312 Dean W0 0.88 1 6 11 6791 54 5318 5378 +38

312 758 Dean W0 0.80 7.3 731 814 818 814 +18

4413 2174 Dean 0.80 1.9 15 7365 4318 4218 4318 +118

2358 1778 Dean W1 0.80 1.9 15 7365 4318 4218 2314 2114 2114 2115 +118

2358 1778 Dean W1 0.80 1.9 15 7365 5318 5478 5

31 2534 Detail 0.20 0.3 9 4712 8058 7912 7978 +28

1138 478 Detail 0.40 8.0 16 1885 518 6478 5

34 2534 Detail 1.46 46 19 2530 3212 3178 32 +18

10218 8112 Detail 745 7.45 7.3 4 102 102 102

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10212 86 Detail 745 7.45 7.3 4 102 102 102

10212 86 Detail 745 7.45 7.3 4 102 102 102

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10212 86 Detail 0.48 1.2 22 436 3938 3738 3914 +2

3314 2078 Dialbet x 0.64 2.2 1019 2958 2918 2938 1 103 138 14 1 B 26% 3 80 Diana Carp 29 2212 Dugste4 00 t 2 00 7.5 1 2612 2612 2812 291<sub>2</sub> 24 Out(14.2 x 2.10 7.4 x20 281<sub>2</sub> 281<sub>2</sub> 281<sub>2</sub> 55 361<sub>4</sub> Durnett 1.16 2.3 24 3094 50 491<sub>8</sub> 491<sub>8</sub> 14<sup>7</sup>c 10<sup>5</sup>a DW Hth Sv 18 838 13<sup>3</sup>a 12<sup>7</sup>a 13 + <sup>3</sup>a 26<sup>3</sup>4 19<sup>1</sup>2 Dynamics 0 20 0 8 13 2100 24<sup>1</sup>4 24<sup>1</sup>4 24<sup>1</sup>4 - <sup>1</sup>a

020 19 10 271 1012 1014 1013

0.56 2.3 29 297

25\(\frac{1}{4}\) 3\(\frac{1}{2}\) East U(8) \\
1.60\) 7 6 13 256 21\(\frac{1}{2}\) 20\(\frac{1}{4}\) 21\(\frac{1}{2}\) +\(\frac{1}{2}\)
37\(\frac{1}{2}\) 25\(\frac{1}{4}\) E Ento \\
1.60\) 7 6 13 256 21\(\frac{1}{2}\) 20\(\frac{1}{4}\) 21\(\frac{1}{2}\) +\(\frac{1}{4}\)
76\(\frac{1}{4}\) 48\(\frac{1}{2}\) EastOn \\
1.60\) 2.2 20 5831 73\(\frac{1}{2}\) 73\(\frac{1}{2}\) 73\(\frac{1}{2}\) +\(\frac{1}{4}\)
62\(\frac{1}{2}\) 45\(\frac{1}{4}\) EastOn \\
1.60\) 2.7 11 2035 60\(\frac{1}{2}\) 59\(\frac{1}{2}\) 50\(\frac{1}{2}\) +\(\frac{1}{4}\)
38\(\frac{1}{2}\) 29\(\frac{1}{2}\) Ectain \\
3.62\(\frac{1}{2}\) 23 14 2154 35\(\frac{1}{2}\) 37\(\frac{1}{2}\) 37\(\frac{1}{2}\) 37\(\frac{1}{2}\) 37\(\frac{1}{2}\) 37\(\frac{1}{2}\) 37\(\frac{1}{2}\) 37\(\frac{1}\) 37\(\frac{1}\) 37\(\frac{1}{2}\) 37\(\frac{1}{2}\) 37\(\frac

130 58 10 6373 174 164 174 +38

27 1712 Edwards x 0.64 2.6 10 1278 244 244 244 244 + 12

678 512 Deco Group 0.08 14 11 94 576 578 578 +18

6214 3278 Elan AOR

2812563 614 5814 6012 -114

2512 13 Eleor Corp 0.24 11 18 51 224 2214 2214 + 12

4218 3118 EtAguñ 1.00 28353 1518 3512 3478 3512 +14

12 34 Elec 13 24 978 958 958 -18

1712 84 Electric 58 578 1212 1118 1218

15% 3% EmprestCA 0.09 07 6 1793 12% 12 12%

58 2 37 Endese ADR 1.13 2.1 11 405 54 2 53 4 54 8 25 8 20 2 Energen Co 1 16 5.0 13 40 23 2 22 2 23 23 24 32 2 15 Engind x 0.36 1.7 22 1328 21 20 2 21 14 2 11 Ennis Buso 0 60 5.1 10 65 11 7 11 4 11 7 2

502 393 Enror 10.5 x 11.50 2.3 3 49612 49612 49812 40 2815 Enror 0 85 2.4 17 5500 3558 35 3558

2778 20 Ensot int 2903 27 26 27 99 87 EnschAJPE 7 00 7.4 2100 95 95 95

281<sub>2</sub> 171<sub>8</sub> Error DNG 0.12 0.5 2611256 251<sub>2</sub> 241<sub>4</sub> 251<sub>2</sub> +11<sub>4</sub> 277<sub>8</sub> 20 Error DNG 0.12 0.5 2611256 251<sub>2</sub> 241<sub>4</sub> 251<sub>2</sub> +11<sub>4</sub> 277<sub>8</sub> 20 Error DNG 0.12 0.5 2611256 251<sub>2</sub> 27

29 297 24 23 1 24 +4 1 1 208 4 1 4 1 4 1 2

11 3872 2234 22 2238

58 878 234 214 237 +278 67% 38% Harses 1.48 2.2 17 616 66% 66½ 66½ 66½ + ¼
52½ 38¾ Harses 2.28 4.6 16 106 50¼ 49% 50 - ½
67% 3¾ Harses 0.60 13.7 43 85 43% 4¼ 4¾ + ¼
17 14% Hasteres x 1.32 8.1 20 16¾ 16¼ 16⅓
39¾ 32½ Harsesten E 2.40 5.8 13 1102 35⅓ 35⅓ 35⅓ 35⅓ + ⅓
17¼ 13¾ Hasteres 1.40 8.1 15 524 117¼ 17 17¼ + ⅓
255 38% Harsesten C 284 5.7 12 24⅓ 23⅓ 23⅓ 23⅓ - ⅓

| Tender | T 23 8% Guardsman ± 0.36 ± 6152 ± 181

87<sub>8</sub> 7 ½ H± YM Pls 084 9.5 48 u87<sub>8</sub> 8¾ 87<sub>8</sub>
21 ½ 18½ Highlins 1 614 19½ 19½ 19½
14½ 10½ Highlins 0.60 4.4 16 102 13½ 13¾ 13½
35% 27 Highling 0.62 1.7 28 1133 u357<sub>8</sub> 347<sub>8</sub> 357<sub>8</sub> +1
99½ 80⅓ Highli 1.20 1.3 26 1106 94½ 92½ 94 +1½
114¼ 827<sub>8</sub> Highli 1.00 1.0 24 152 95¾ 95½ 95½ -3<sub>8</sub>
50 36½ Highli 1.00 1.0 24 152 95¾ 95½ 95½ -3<sub>8</sub>
50 36½ Highli 1.00 1.0 24 152 95¾ 95½ 95½ -3<sub>8</sub>
11¾ 6½ Honge Shop 15 3301 107<sub>8</sub> 10½ 105<sub>8</sub> +2<sub>8</sub>
205<sub>8</sub> 14¾ Highli 0.20 1.1 8210183 18¼ 177<sub>8</sub> 18¼
2½ 1 Honge Mig 0.04 25 54 30 15<sub>8</sub> 15<sub>8</sub> 15<sub>8</sub> -1<sub>8</sub>
46¼ 27½ Hongak ADR 0.23 0.6 33 175 417<sub>8</sub> 41½ 47½ -2¼
55 30½ Highli 1.04 1.9 20 5468 54¼ 533 54½ +58

| 1.04 | 1.9 | 20 | 5458 | 54<sup>1</sup>4 | 53<sup>1</sup>8 | 54<sup>1</sup>8 | 55<sup>1</sup>4 | 50<sup>1</sup>8 | 54<sup>1</sup>8 | 55<sup>1</sup>4 | 50<sup>1</sup>8 | 50<sup></sup>

7% 5% HsmkamSv 3 1187 6½ 8% 6% 54% 38% Houghton M 0.96 2.1 16 721 45% 45% 45% 45% +½ 1¼ 1% House Feto 0.48128.0 0 82 % ½ ½ % +½ 71½ 35% Hsmd 1 1.36 2.0 15 2936 67% 66% 67% +½

210 74

28 22% Horas

15 11% Horstam

137g 914 Hoteles

23% 12% 82° inc 28% 19% F im

5 25g ICF Kg

31 4 23 s Idaho Per

0.58 2.3 18 253 25<sup>1</sup>2 25<sup>1</sup>8 25<sup>3</sup>8 0.07 0.5 8 1243 14<sup>3</sup>8 14<sup>1</sup>8 14<sup>1</sup>9 0.28 2.2 16 277 13 12<sup>3</sup>8 12<sup>3</sup>8

0.10 0.4 8 6251 034 38 2334 2411 2.88 13.5 3 98 21 2 21 4 21 3

0.90 9.6 15 169 912 179 938 42 1133 3 278 3

1.85 6.5 13 587 28<sup>1</sup>2 27<sup>2</sup>8 28<sup>1</sup>8 0.20 1.7 18 219 11 4 11 2 11 4

0 64 1 7 16 193 38 4 38 4 38 4 221 7.5 2100 29 29 29 29 29 204 77 1 26 2 36 2 26 2

0.80 29 13 1858 25 27 g 28 3.00 7.1 2 42 2 42 2 42 2

1 36<sup>1</sup>2 36<sup>1</sup>2 26<sup>1</sup>2 4 28<sup>1</sup>4 38<sup>1</sup>4 38<sup>1</sup>4

5\g 1\frac{1}{2} LA Gets

44\squares 36\squares LG & E En 2.22 5.2 17 508 42\squares 28\squares 28\ 48 Loogit, PIB = 500 8.1 51<sup>1</sup>2 32<sup>1</sup>2 Littor 16 358 49<sup>1</sup>4 48<sup>5</sup>8 49<sup>1</sup>4 +<sup>7</sup>8 35<sup>5</sup>3 14<sup>3</sup>8 LizCb 0 45 1.3 20 1375 35<sup>1</sup>2 35<sup>1</sup>4 35<sup>3</sup>8 43<sup>3</sup>8 31L&E Rity 0.47 12.1 10 193 4 378 378 -<sup>1</sup>8 80<sup>7</sup>8 50 Lockbil 1.40 1.8 26 3883 77<sup>5</sup>8 76<sup>1</sup>4 77<sup>5</sup>9 +<sup>1</sup>58 53<sup>1</sup>4 43<sup>3</sup>8 Lockbil 1.40 1.5 22 237 53 52<sup>1</sup>2 52<sup>7</sup>8 +<sup>1</sup>4 58<sup>1</sup>4 43<sup>1</sup>8 Lockbil 1.00 1.3 4 6964 79 74<sup>1</sup>4 74<sup>5</sup>8 -<sup>4</sup>18 58<sup>1</sup>4 43<sup>1</sup>4 Lockbil 1.00 1.3 4 6964 79 74<sup>1</sup>4 74<sup>5</sup>8 -<sup>4</sup>18 58<sup>1</sup>4 43<sup>1</sup>4 Lockbil 1.00 1.3 4 6964 79 74<sup>1</sup>4 74<sup>5</sup>8 -<sup>4</sup>18 58<sup>1</sup>4 43<sup>1</sup>4 Lockbil 1.00 1.3 4 6964 79 74<sup>1</sup>4 74<sup>5</sup>8 -<sup>4</sup>18 58<sup>1</sup>4 43<sup>1</sup>4 Lockbil 1.00 1.3 4 6964 79 74<sup>1</sup>4 74<sup>5</sup>8 -<sup>4</sup>18 58<sup>1</sup>4 43<sup>1</sup>4 Lockbil 1.00 1.3 4 6964 79 74<sup>1</sup>4 74<sup>5</sup>8 -<sup>4</sup>18 58<sup>1</sup>4 43<sup>1</sup>4 Lockbil 1.00 1.3 4 6964 79 74<sup>1</sup>4 74<sup>1</sup>58 -<sup>4</sup>18 58<sup>1</sup>4 43<sup>1</sup>4 Lockbil 1.00 1.3 4 6964 79 74<sup>1</sup>4 74<sup>1</sup>58 -<sup>4</sup>18 58<sup>1</sup>4 43<sup>1</sup>4 Lockbil 1.00 1.3 4 6964 79 74<sup>1</sup>4 74<sup>1</sup>58 -<sup>4</sup>18 58<sup>1</sup>4 43<sup>1</sup>4 Lockbil 1.00 1.3 4 6964 79 74<sup>1</sup>4 74<sup>1</sup>58 -<sup>4</sup>18 58<sup>1</sup>4 43<sup>1</sup>4 Lockbil 1.00 1.3 4 6964 79 74<sup>1</sup>4 74<sup>1</sup>58 -<sup>4</sup>18 58<sup>1</sup>4 43<sup>1</sup>4 Lockbil 1.00 1.3 4 6964 79 74<sup>1</sup>4 74<sup>1</sup>58 -<sup>4</sup>18 58<sup>1</sup>4 43<sup>1</sup>4 Lockbil 1.00 1.3 4 6964 79 74<sup>1</sup>4 74<sup>1</sup>58 -<sup>4</sup>18 58<sup>1</sup>4 43<sup>1</sup>4 Lockbil 1.00 1.3 4 6964 79 74<sup>1</sup>4 74<sup>1</sup>58 -<sup>4</sup>18 58<sup>1</sup>4 43<sup>1</sup>4 Lockbil 1.00 1.3 4 6964 79 74<sup>1</sup>4 74<sup>1</sup>58 -<sup>4</sup>18 58<sup>1</sup>4 43<sup>1</sup>4 Lockbil 1.00 1.3 4 6964 79 74<sup>1</sup>4 74<sup>1</sup>58 -<sup>4</sup>18 58<sup>1</sup>4 43<sup>1</sup>58 -<sup>4</sup>18 74<sup>1</sup>58 -<sup>4</sup>18 74<sup>1</sup>8 -<sup>4</sup>18 74<sup>1</sup> 33 % 15 Logicos x x الخصا عا 13 و 15 ا 48 4 30 2 LTGSDY 19<sup>5</sup>8 13<sup>1</sup>4 Longview F 48 18<sup>1</sup>4 Loral 30 o 26 2 Louis 12.8 31 4 21 2 Lyondes P 0.90 28 6 7072 431 4 31 4 31 4 +4 

34<sup>1</sup>4 23<sup>5</sup>8 Marpower 2<sup>7</sup>8 2<sup>1</sup>4 Menus Los 26<sup>1</sup>8 23 Moville Pf 59<sup>1</sup>4 48<sup>7</sup>8 Mepon

581<sub>2</sub> 391<sub>8</sub> MercSt 713<sub>8</sub> 363<sub>8</sub> Merck x 161<sub>2</sub> 81<sub>4</sub> Mercury Fit 483<sub>4</sub> 223<sub>4</sub> Mercury Fit

64 4 3458 Merlyn

6 2 2 Mesa

1.06 1.8 17 490 u58 2 57 4 58 2 1.36 2.2 2328788 63 4 82 2 52 4 0.30 2.1 22 1374 14 8 14 8 14 8 14 8 14 8 0.40 0.9 25 516 43 8 42 8 43 8

1.04 1.8 10 7092 58<sup>1</sup>2 57<sup>1</sup>8 58<sup>1</sup>8 3 2186 3 2<sup>1</sup>4 2<sup>7</sup>8

461g 321g KingWid

164 54 Kmest

71 5012 NORIGI

233 18 Korna Fd

518 112 LA Geer

41 % 34 % KPN

1318 5% Kofmorgen x 0.08 0.8 48 61

305 26 KU Energy 1.68 5.8 14 481 29 28<sup>1</sup>2 28<sup>3</sup>4 155 10<sup>3</sup>8 Nutriment Co x 0.60 4.1104 361 14<sup>3</sup>4 14<sup>3</sup>8 14<sup>3</sup>8 14<sup>3</sup>8 184 123 Kyocara CP 0.88 0.8 24 33 129<sup>3</sup>4 128<sup>3</sup>4 129<sup>3</sup>5

2612 20 Kysor Inda 0.60 2.3 9 65 2612 2512 26 +32

14¼ 6¼ ዕዘዝር ወ 2412 18 2 00561 24% 1812 ONIOEE x 6312 4712 00/0E34.4 : 63 49 OttloE4.56 435 325 Oktob GSE 4718 3014 DW903C 53% 34% PHY 49 34% PPG In 12 812 PS Group 30% 23% PacSE x 354 204 PTates 23<sup>1</sup>2 14<sup>3</sup>2 PaineW 29<sup>3</sup>2 18<sup>3</sup>2 Pai 30% 18% Parince 374 14 Park Bekt 612 412 Parion 1 2 27 2 Parkets 5 % 2 % Patien Cap

324 244 PecoEn

5112 39% Penney 40 27 s PostEst. 50% 34% Profit.

334 244 PeopEn

3012 247 PetRes

70 % 37 4 Pilzer

44% 32% Photo 7012 51 % PhetoD 22 % 173 Ph//Subbn

TUR'S SS & PINKOT X

53 % 29% PhilippE

40 30 PMPt

18 8 PHINNEX

744 74 Par 1 loop

134 94 Pityries PiB

27 4 14 4 PILLET

21 4 14 2 PlyGem 32 8 21 9 PNC Bk

49 29 Point 54 4 37 4 PloyMo

34 4 16 Page Prod

17% 1212 Pope & Tal

14 8% Portec Inc

144 10% Portugal F

412 314 Prosp 53

35 29 Prov Cos

101 81 PbServCol

26 20<sup>1</sup>s PagetS 53 30<sup>1</sup>s PultzP

25% 1614 RU Carp

47 lg 30 % Priots 1.00 2.3 13 1894 44 lg 60 46 PbServ4.08 : 4.08 7.4 220 55

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FINANCIAL TIMES

**AMERICA** 

36

## Technology sector leads US advance

**Wall Street** 

Rising technology shares and a stronger bond market helped US equities climb in early trading yesterday, writes Lisa Bransten in New York. By mid-morning the Dow

Jones Industrial Average was up more than 50 points. thereby triggering trading restrictions which limit program buying. By 1 pm the

Philip Morris

Source: FT Extel



index was ahead 46.25 at 5.631.22. the Standard & Poor's 500 had climbed 7.35 to 648.78 and the American Stock Exchange composite was 3.23 higher at 564.74. Volume on the New York SE came to 237m

shares by midsession. Technology shares continued to rebound from the sharp sell-off experienced early last week amid fears of slowing personal computer sales and oversupply in the semiconductor industry.

The Nasdaq composite had added 11.29 at 1,110.88 by 1 pm. Microsoft, the largest com-

pany in the index, was up \$2%

at \$105%, Oracle Systems advanced \$1% to \$50% and America Online was \$2% stronger at \$571/s. On the NYSE, IBM, a component of the Dow, advanced \$3%

But the gains at IBM were partially offset by another day of sharp retreat in Philip Morris, another of the 30 component companies in the index. The largest tobacco concern in the US lost \$5% at \$90% after the US Food and Drug Administration said a former scientist for Philip Morris was prepared to claim that the company

cotic effect. Shares in the company had tumbled, along with most of the large tobacco groups, since last week when the Liggett group agreed to settle its portion of several suits lodged against the country's biggest cigarette companies. RJR Nabisco, the second

knew that nicotine had a nar-

largest tobacco company in the US, declined \$1% to \$31%.

Canada

Toronto's attempt to follow New York was stopped short by gold and precious metals stocks; the weak gold bullion price left the sector index down by 12 per cent at midday, and the TSE 300 composite index rose just 3.14 points to 4.856.76 as volume declined from 36.9m shares to 31.8m.

Among active stocks, Mitel Corp rose C\$\% to C\$8\% after it agreed to buy ABB Hafo, of Stockholm, from Asea Brown Boveri. Potash Corp of Saskatchewan, however, was off C\$3% at C\$86% after Merrill Lynch cut its short-term rating from accumulate to neutral.

#### Mexico falls back

The US provided an early kets, but by midsession MEXICO CITY had given up its morning gain. By midday the IPC index was off 2.64 points at 2,841.46, but turnover was below average.

SAO PAULO was awaiting the developments of a debate into parliamentary inquiries regarding the country's banking sector and pension reform. Analysts said they hoped

REGIONAL MARKETS

Figures in parentheses snow number of lines

Beiglum (33)......203.64

New Zealand (13)......82.46

South Africa (45) .. .... ,390.34

Span (37)......164.81

Switzerleand (35)..... 244,18

United Kingdom (205)...... 225 08

Europe Ex. UK (521) .....185.88

Pacific Ex. Japan (350) ........... 282.47

World Ex US (1750) ......179.88

World Ex. Japan (1899) .......236.92

that President Fernando Henincentive for the region's mar-rique Cardoso, who had just returned from an official visit to the US and Japan, would succeed in avoiding pressure for a senate investigation into the banking sector. By noon the Bovespa index was up 540 or 1.1 per cent at 49,065. So far this month the index has fallen

2.1 per cent. In BUENOS AIRES, the Merval index was ahead 5.50 points at 503.00 by midday.

MARKETS IN PERSPECTIVE						
	% (	change in loc	el currency †		% charge sterling †	% change to US \$ 1
	1 Week	4 Weeks	1 Year	Start of 1996	Start of 1908	Start of
Austria	-2.31	-1.98	-0.27	+6.51	+5.29	+3.3
Belgium	-4.60	-1.80	+20.06	+0.35	-0.79	-2.6
Denmark	-0.95	-1.93	+14.28	+4.87	+3.83	+1.9
Fintand	+2.60	+3.52	+4.32	+4.90	+0.30	-1.5
France	-0.89	+1.01	+14.89	+7.17	+5.60	+3.6
Germany	-0.56	+0.64	+20.06	+7.71	+6.42	+4.4
ireland	-1.60	-0.21	+25.64	+2.95	+2.83	+1.0
italy	-1.74	-2.28	-0.71	-1.96	+1.08	-0.8
Netherlands	+0.80	+1.55	+28.78	+6,48	+5.35	+3.4
Norway	+0.33	+1.56	+16.88	+4.77	+4.92	+2.9
Spain	-1.83	-2.61	+26.75	+2.36	+1.65	-0.2
Sweden	+2.06	+4.95	+30.94	+9,65	+9,18	+7.1
Switzerland	-0.17	+7.20	+42.20	+7.05	+5,43	+3,4
UK	-1.64	-2.88	+19.72	-0.52	-0.52	-2.3
EUROPE	-0.92	-0.01	+21,17	+3.57	+2.98	
Australia	-7.26	-3,10	+15.09	+0.18	+6.18	+4.2
Heng Kong	-5.2B	-7.90	+22.23	+7.20	+9.24	+7.2
Japan	+0.75	-3.34	+18.06	-1.98	-2.72	-4.5
Malaysia	-0.67	+2.03	+15.12	+11.12	+13.17	+11.0
New Zoaland	+1.1B	+3.04	+7.05	-1.00	+5.48	+3.5
Singapore	-0.31	-4.89	+23.15	+6.18	+8.74	+6.7
Canada	+1.26	-1.59	+15.68	+5.01	+6.96	+4.9
USA	+1.28	-0.76	+30.34	+4,37	+6.35	+4.3
Mexico	+3.53	-4.20	+62.52	+3.11	+7.05	+5.0
South Africa	+1.18	-0.60	+25.91	+9.22	+3.22	+1.3
WORLD INDEX	+0.39	-1,40	+23.70	+2.82	+3.42	+1.5

EUROPE

## Frankfurt simmers, Stockholm greets Persson

Bonds, the dollar and the Dow gave FRANKFURT's blue chips a good day, particularly in chemicals and pharmaceuticals, where results, takeover stories and speculation about other financial engineering manoeuvres kept the excitement going.

The Dax index gained 14.55 at an Ibis indicated 2,472.55 in turnover of DM11bn. Schering's forecast of a rise of a fifth in profits this year was not regarded as particularly good, but it reminded the market that here was a mediumsized niche player in an acquisitive pharmaceuticals sector. Merck put on DM1.70 at DM65.40, and related stocks like Bayer, BASF and Degussa all added more than 2 per cent. There were gains in Daimler and Volkswagen, and in steel-

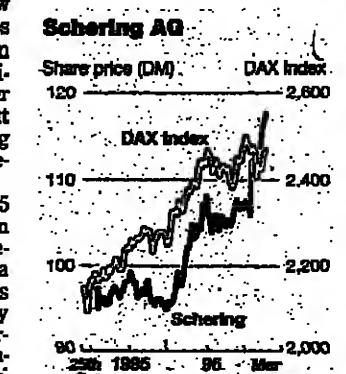
makers and engineers Preus-

sag and Thyssen. But profes-

sionals were tempted to

attribute this to general, rather than particular, influences. The excitement on Friday in Asko and Kaushof waned, the shares falling DM29 to DM929 and remaining flat at DM482.50 respectively. The "transfer value" of the merging retailers, based on accountants' valuations, indicated market prices of around DM1.314 and DM617 a share respectively.

STOCKHOLM jumped 1.8 per cent on the view that Mr Goran Persson, to be sworn in as prime minister on Thurs- to yet another record high.



day, would not deviate from the hard fiscal line that he initiated as finance minister. The Affärsvärlden general index rose 83.7 to 1.908.7, further encouraged by expectations that the Riksbank would ease monetary policy this week.

Bank and insurance stocks rallied 25 per cent with S-E-Banken up SKr1.50 to SKr49.20. The recently weak construction sector rebounded 4.6 per cent, with Skanska gaining SKr13 at SKr207. Investor, the industrial

investment group, rose SKr8 to SKr267; it expected to price the global offering of Scania, the truck and bus maker, at a higher than expected SKr155 to SKr185 a share.

AMSTERDAM pushed itself

supported by foreign demand. The AEX index put on 4.64 at 524.82, with most of the rise in the final hour of trading.

taken following last week's sharp rise, and ahead of Thursday's 1995 results. Analysts

following disappointment with a number of results already

Michelin, the tyre manufacturer, rose FFr4.50 to FFr239.10 ahead of today's 1995 figures: analysts were looking for net profits between FFr2.3bn to FFr2.9bn, compared with FFr1.3bn for 1994. Renault firmed FFr2.50 to FFr146.50 ahead of its 1995 results, also due today.

Fl 114.90 and ABN Amro Fl 1.80 were helped by US strength, Philips rising Fl 1.50 to Fl 66.70.

Fl 50m, against 1994's Fl 107m. PARIS bided its time in advance of this week's 1995 company results. The CAC-40 index added 14.90 at 1,965.02, although the Association of French Analysts yesterday cut 1995 earnings per share forecasts for 150 major companies by an average of 5.7 per cent,

published

ZURICH took its lead from Wall Street and the SMI index closed 22.5 higher at 3,583.6. In financials. Swiss Re rose

or 6.4 per cent to Rs235.

Reliance dropped Rs7.25 to

Rs213.75 as speculators pulled

prices lower in end-account

trade on the National Stock

· The BSE-30 index shed 51.06

to 3,292.21 ahead of this week's

expected announcement of a

timetable for parliamentary

HONG KONG ended mod-

estly higher after fluctuating

aimlessly in wary trade, with

the day's government land auc-

tion failing to have an impact.

The Hang Seng index rose 43.70

to 10,601.28 in turnover that

dwindled to a weak HK\$3.5bn.

with the military tensions in

the Taiwan Strait leaving the

elections.

Financials did well, Amev appreciating Fl 2.80 or 2.5 per cent to Fl 114.30, ING Fl 1.40 to to F180. Technology stocks Nedlloyd receded Fl 1.40 to Fl 36.50 as further profits were

met financial analysts, while

SFr21 to SFr1,259 on a favoura-

Roche certificates gained SFr110 at SFr9,460 as investors expect net profits of some turned their attention back to the stock. Bell, Switzerland's biggest meat processing and trading group, added SFr50 at SFr3,750 on plans for a 10-forone share split Swissair moved ahead SFr40 to SFr1,158 as the company

> Schindler certificates climbed SF168 to SF11,305. MILAN failed to find direction in the increasingly confused run-up to next month's general election, and the Comit index shed 1.51 to 590.75.

Technical recoveries were seen in Benetton and Olivetti after their sharp falls last week. Benetton picked up L197 at L16,301 and Olivetti L23.4 at L794.3. Goldman Sachs, which rated Olivetti a trading buy, continued to expect the group to return to profits in 1996, and subsequently to pay a dividend

for the first time since 1990.

market fumbling for direction.

SINGAPORE investors

remained nervous over poor

corporate results, and the

Straits Times Industrial index

slipped 5.86 to 2,361.45. Prop-

erty shares were weak after

DBS Land's lower than expec-

ted results announced over the

weekend. DBS was off 5 cents

at S\$5.00 after touching S\$4.94.

per cent ahead to a year's high

at S\$2.65 in heavy turnover,

but dealers could not account

SEOUL edged back into nega-

tive territory at the end of

trade as investors remained

sidelined, still waiting for the

state-backed Stock Market Sta-

for the activity.

Tractors Malaysia pressed 9.5

ble response to the company's

roadshow in the US.

Goldman added that it had set an Olivetti target price of L1,250, after revising its valuation of Omnitel

1553.22 1854.26 1656.39 1658.21 1661.08

1643.53

Telecom Italia rose L64 to 1.2,459 on expectations of improved 1995 results after the close, while Stet, L28 higher at L4,520, insisted that its privatisation was still on course. BRUSSELS staged a partial

recovery from Friday's sharp losses, with the market again driven by activity in Bel-20 index issues. The Bel-20 rose reversing Friday's 52-point plunge. Shortly before the close of trade, the bourse authorities said they were launching an inquiry into whether banks had been unfairly manipulating the mar-

hedge the launch of their equity-linked investment funds. BUDAPEST struck another all-time high as investors took heart from the approval by the International Monetary Fund of a \$387m standby loan, which had been agreed on Friday

bilisation Fund to make a

move towards boosting the

market. The composite index

lost 2.12 at 854.46 in relatively

Electronic and telecommuni-

cations related shares showed

some strength. Samsung Elec-

tronics gained Won2,300 at

Won88,800 and Dacom climbed

gain in the absence of foreign

buyers. The SET index rose

Among the most active

issues. Shinawatra Computer

and Communication topped the

list and gained Bt24 at Bt672,

while Thai Farmers Bank

9.95 to 1,277.01 in moderate

BANGKOK made a small

Won1.500 to Won116.500.

turnover of Bt6.7bn.

light volume of 20.4m shares.

ket by driving up the Bel-20 to

when the market had been closed for a public holiday. The BUX index moved up 56.71 to 2,405.26, breaching the previous life high of 2,390.01

seen on March 6. ATHENS fell back, with ana lysts suggesting that many institutional investors seemed to be liquidating their positions ahead of an IPO for OTE the state telecom group, later this month.

The general index dipped 9.89 or 1 per cent to 991.27. TEL AVIV, on Sunday, reacted sharply to the weekend news that February's consumer price index rose by a higher than expected 0.9 per cent, the Mishtanim index losing 4.72 or 2.3 per cent at 199.12. It did no better yesterday, closing another 0.88 down

at 198.74. ISTANBUL made selective gains which helped the composite index to a rise of 1,254,44 or 2 per cent to 65,436.28. Turnover shrank to TL14.850bn from Friday's TL20,650bn. Brokers said that sentiment

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had been encouraged by the withdrawal of regulations which, due to come into effect on March 25, would have tightened the rules on daily sales. settlement and custody and would have stopped short

Written and edited by William Cochrane, Michael Morgan and

moved forward Bt3 to Bt189.

MANULA was worried by the

tensions between China and

Taiwan. The composite index

eased 36.74 to 2.858.49. JAK-

ARTA edged up on further

buying of second line issues as

well as Telkom, which rose

Rp25 to Rp3,725. The composite

after the manufacturer of auto-

motive parts reported a sharp

SYDNEY retreated in the

afternoon to close the day

barely changed as profit-taking

eroded gains made during the

slipped a net 0.2 to 2,234.6.

The All Ordinaries index

morning.

Astra fell Rp125 to Rp2,950

index put on 2.07 at 578.86.

drop in February car sales.

#### **ASIA PACIFIC**

## Nikkei lifted by foreign buying, Taipei remains calm

#### Tokyo

Foreign and technical buying lifted share prices, and while profit-taking ahead of the fiscal vear-end by domestic institutions eroded some of the gains. the Nikkei average closed moderately higher, writes Emiko Terazono in Tokyo.

The 225-share index rose 94.25 to 20,285.13, with a day's high of 20,352.30 thanks partly to a rise in Nikkei futures in Chicago on Friday, and a session's low of 20,223.74.

Volume totalled 375m shares. against 463m. The Topix index of all first section stocks gained 6.44 at 1,558.79 and the Nikkei 300 put on 1.51 at 291.91. Advances led falls by 622 to 425, with 163 issues unchanged. In London the ISE/Nikkei 50 index was up 5.18 at 1.367.34.

Parliamentary deadlock over the housing loan liquidation scheme weighed on investor The build-up of tension in the ticipants indicated that they would remain on the sidelines until Sunday's by-election for an upper house seat in central Japan. The jusen, or housing 4,941.42 in T\$32.6bn turnover. loan, problem had become the central issue in the election campaign between candidates stocks actively to support the backed by the ruling coalition and opposition parties.

financials, steels and trading houses. Daiwa Bank moved up in spite of a further round of Y13 to Y743 and Sakura Bank Y10 to Y1,160. However, Industrial Bank of Japan fell Y20 to Y2,860 on domestic profit-taking and Dai-Ichi Kangyo Bank lost Y20 at Y2,020.

Trading houses were led by Nissho Iwai, which attracted buying on reports that it would step up its rationalisation

of the day, drifting down in

dull trade on a lack of inter-

est and a slightly softer bul-

The FT/S&P Actuation World Indices are complied by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are complied by FT-SE International and

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efforts. Nissho rose Y29 to Y519, and Mitsui Y8 to Y910. Shipbuilders gained ground on speculation that trust fund

managers would start increasing their weighting in the new business year starting April. Mitsubishi Heavy Industries advanced Y12 to Y865. Electric wire makers were

sought due to hopes of firm demand in optical fibres. Sumitomo Electric Industries rose Y40 to Y1,370. Other high-technology stocks were bought by foreign investors, Ricoh gaining Y20 at Y1.140. Mitsumi Electric fell Y300 to Y1.650 on reports that the company's recurring profit for the current year ending September would decline by 65 per cent.

In Osaka, the OSE average added 119.88 at 21.385.38 in volume of 160.7m shares.

#### Roundup

Taiwan Strait left TAIPEI unmoved, as investors heeded a call from the island's government to remain calm. The weighted index rose 0.57 to

Brokers said the government stock fund, which bought market last week, was largely absent; most investors now felt Foreign investors bought that China was most unlikely to launch an attack, they said, military exercises.

**BOMBAY** declined 1.5 per cent, largely on sharp losses in ITC and Reliance. ITC, which has a 7.1 per cent weighting in the index, was

pressured by reports that the company had been asked to pay a Rs3.5bn deposit against excise dues; the stock slid Rs16

The overall index finished

51.8 lower at 6,651.9, golds

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142.80 97.76 112.28 97.76 164.82 137.75

S African golds out of favour

Johannesburg gold shares weaker in sympathy, lacking

closed near their lowest levels any impetus of their own.

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# Bigger is better as rivalry intensifies

Recent results show the sector's resilience but consolidation is on the cards

Hong Kong's banks have been under siege. Deregulation has brought in increased competition at a time of collapsing property prices - a combina. tion that led the rating agency Moody's Investor Services to say that the sector is on "its journey down". Nonetheless, predictions of the sector's demise look somewhat prema-

Competition in Hong Kong's oligopolistic banking sector has not been quite the boon to consumers that was expected. Interest rate deregulation has so far led to a fattening of banks' lending margins. because increased savings and lukewarm loan demand have meant that there is no fight on for deposits. The margin between prime lending rates and deposit rates is currently 58 basis points above its long-term average, boosted by the recent fall in interest rates.

More surprising has been the absence of any bruises from the latest fall in the Hong Kong property market. Around 42 per cent of bank lending is made directly to the property market, and both residential and commercial property prices have collapsed. Mr Stephen Li, head of research at Jardine Fleming, says: "There has been a 30 per cent fall in property prices, but no pick-up in defaults."

Provisions against non-performing loans remain at below I per cent, which might raise some concern. But Asia Equity, a regional stockbroker. estimates that even after the recent property market decline, mortgages outstanding are 62 per cent of the value of the underlying mortgaged

The three most significant

contributors to the well-being of Hong Kong's banks, US interest rates (the Hong Kong dollar is pegged to the US dollar), the property market and economic growth in Hong Kong and Southern China, are all pointing towards further recovery for the banking sector, ING Barings is forecasting 16 per cent earnings growth for the sector in 1995 and a similar

figure for 1996, Balance sheets are robust by world standards, and are getting stronger, since the banks are obliged to reveal their inner reserves - hidden profit reserves used to smooth earn-

#### As 500 banks chase business, competition will take its toll

ings - during 1996. Banks are also being forced to disclose their capital adequacy ratios this year, and these also look conservative. For example, Bank of East Asia, which has one of the highest loans/doposit ratios and high exposure to both the property market and China, still has a capital adequacy ratio of 18.4 per cent. which must make it the envy

of many western competitors. Many of the banks also have hidden assets in the form of investments in property and shares. Bank of East Asia estimates that if it had revalued its property portfolio last year. it would have shown a surplus of HK\$3bn, while Hang Seng Bank has more than HK\$4bn of paper profits on stock market investments. And mortgage lending has proven to be far less risky in the volatile Hong Kong market than in the UK and US. Standard Chartered says it has yet to make a loss on any Hong Kong mortgage.

Nonetheless, it is going to get tougher. In the mortgage market, competition has knocked 0.5 percentage points

off the spread between mortgage rutes and the prime rate the benchmark for loans.

There has also been significant competition on arrangement fees. And as the property market shows signs of recovery, there is likely to be greater competition for depos-

Hong Kong's banks are well placed to compete. Their costs as a percentage of income are far lower than in developed economies, helped by the fact that they own an average of between 50 and 80 per cent of the properties they use. Moreover, wage inflation is slowing and salaries account for around 60 per cent of overall

The big banks are going to fare better. With 500 banks and deposit-taking companies fighting for business in Hong Kong. competition is bound to take its toll. But those banks with the largest branch networks will be in a stronger position to win deposits, particularly since the absence of deposit insurance favours the stronger banks.

Some consolidation in the banking sector looks inevitable in the face of competition and technology upgrades. Thus far, the only mergers have been sparked by bank collapses. The family holding structure of most banks means that hostile bids are unlikely. But as the handover to China approaches, some of the banking families may be persuaded to cash in Hong Kong assets. And, as Hong Kong becomes part of China, it will increasingly create opportunities for developing banking networks within southern China; opportunities that will only be available to the bigger banking groups.

Ms Carmel Wellso, banking analyst at ING Barings, says: "Hong Kong banking will become much more competitive, but as Hong Kong becomes part of China, the pie is going to become so much Banking in China: by Simon Davies

# Poised for a capitalist onslaught

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It is a tantalising prospect for Hong Kong's banks, in neighbouring Guangdong Province alone, there are more than 65m of the wealthiest people in China, with 15 years of economic transformation under their belts and virtually no choice as to what to do with their hard-earned cash.

As Mr John Bond, chief executive of HSBC Holdings, the global group that is Hong Kong's biggest banker, says: "It would be an act of folly for us not to be investing as fast as we can in building up a network in China."

There is no doubt that the Chinese authorities have put banking reform at the top of their agenda, but there is a long way to go. Mr Stephen Li, head of research at Jardine Fleming Securities, says: "Chinese banks have never operated as commercial organisations. They have had no choice as to whom they lend."

Moreover, the Chinese authorities are unlikely to want to open the floodgates to foreign banks until domestic banks are capable of competing.

At present, Chinese banks are faced with negative lending margins - due to indexation of deposit rates, they are forced to pay out substantially higher interest to depositors than they receive from loans. Four mainland banks have

been turned into independent corporate entities, but they would not pose much competition for the more technologically advanced foreign banks.

Nonetheless, the Hong Kong

banks are preparing for an been the most aggressive of onslaught. All the leading Hong Kong's banks in banks have established Chinese mortgage lending, branches or opened although it still makes only representative offices in a Hong Kong dollar loans. number of the largest Chinese generally with Hong Kong cities. At present, these are collateral

licensed only for dollar BEA's China operations. almost exclusively property business, and the offices are used primarily to service Hong Kong clients based in China. The private residential property market in China has rear.

also created lucrative opportunities for the banks. Bank of East Asia (BEA) has competition.

lending, now account for around 10 per cent of its assets and made up around 15 per cent of its profits last

The next possible move for Hong Kong banks would be the licence to take deposits. on current account before the

This would be scarcely profitable, but would enable the banks to build up a client base in preparation for full

Mr Bond says: "We are anticipating the day that we can do Renminhi business. but we believe that will only happen when we get convertibility of the RMB."

However, Mr Zhu Rongii. the vice-premier in charge of China's economy, has said that China will achieve full convertibility of its currency

stated deadline of the year 2000. The country recently took a further step forward, allowing inter-bank foreign exchange trading in four locations.

It should be worth the wait. With the advantages of decades of expertise in a full-blooded capitalist system. and vastly superior technology and risk management systems, Bong Kong's banks will be well placed to pick up an extremely profitable new franchise.



Acting quickly to build a network in China: Hong Kong's biggest banker, HSBC

Investment banking: by Louise Lucas

## Tactics change as fight gets tougher

Merchant bankers are developing new strategies to meet the demands of the Asian market

Mr Trevor Bush, a carefully spoken Brit not given to hyperbole, pinches himself before going to bed every night. "It's so good," says the managing director of NatWest Markets of the first few months of 1996.

On the evidence to date, and even allowing for China's increasingly virulent sabre-rattling across the Taiwan Straits and a turn in sentiment on Wall Street, 1996 has certainly been kind to the colony's investment bankers. Up until Monday March 11. stock markets throughout Asia were rising in Hong Kong the benchmark Hang Seng Index gained as much as 15 per cent before retrenching on Wall Street and China's war games.

But even as sentiment grows queasy, brokers are winning volatility and still-healthy trading volumes ensure the picture for them is better than the one presiding over much of the past two years. The impact may be harder on the primary market, where China issues had - pre-war games - been tipped to put in a strong showing this year.

In the more sombre mood generated by this threat to South East Asian security. question marks still hang over a host of deals shelved during the bleaker days of the past two years. Yet, outside China, power and other infrastructure developments are attracting project financiers to the likes of Thailand and the Philip-

The investment banks themselves believe they are in good shape to meet the demands of their sector. Lessons have been learned, in some cases brutally: the (mostly US) banks that marshalled big and expensive workforces on the promise of a bonanza from China have cut back on staff numbers and made salary and benefits pack-

ages more realistic. Mergers have now raised the profile and increased the power of the European banks. This is especially true in the case of SBC Warburg - created by the union of the UK bank's second ary equities business in the region and Swiss Bank Corporation's bond activities and trade finance business.

But it will not be, and indeed is not, plain sailing. In Asia, as elsewhere, investment banking is at something of a crossreads. Mr Thaddeus Beczak, president of J. P. Morgan Securities Asia, says: "The investment banking business is going through an enormous transition, and the power is shifting to those who have the capital." Mr Rodney Ward, chairman

Asia Pacific for the newly merged SBC Warburg, believes the odds are stacked in favour of the global operators and those local firms that have the right kind of contacts and knowledge. "In between," he says, "is a large marzipan layer. And they are going to have a pretty tough time of it." Just how tough is reflected in the private comments of one banker. "Very few investment

#### In Asia, as elsewhere, the sector is at a crossroads

merchant banks are making money in Asia except on proprietary trading because it's very expensive and you don't have the big deals that you have in the US and Europe,"

While public confessions of such difficulties are rare, strategies are certainly being revised. Salomon Brothers Asia, which last year shed some 50 members of its 300strong Hong Kong team, primarily in administration, and a further handful in other offices in Asia, has dropped certain facets of investment banking such as project finance. It remains, however, an eager participant in the capital markets, with both debt and equity

capabilities. "You have to have the full armoury." says Mr William Phillips, managing director, "although it's the equity related side that tends to have the highest margins." Propri etary trading, he adds, is a good engine for Salomon Brothers globally, although the size of Asia's fixed income market (excluding Japan) means

the opportunities are smaller. Project finance is something that was axed by Salomon in Hong Kong and which is being given a wide berth by a numesting for us, it's very labour intensive," says Mr Phillips.

But for NatWest Markets, which is also able to provide limited recourse financing, the buge 'demand for infrastructure spending in China and other parts of Asia means redrafting the western wisdom on project finance rather than shunning it altogether. "We build out of the skills of

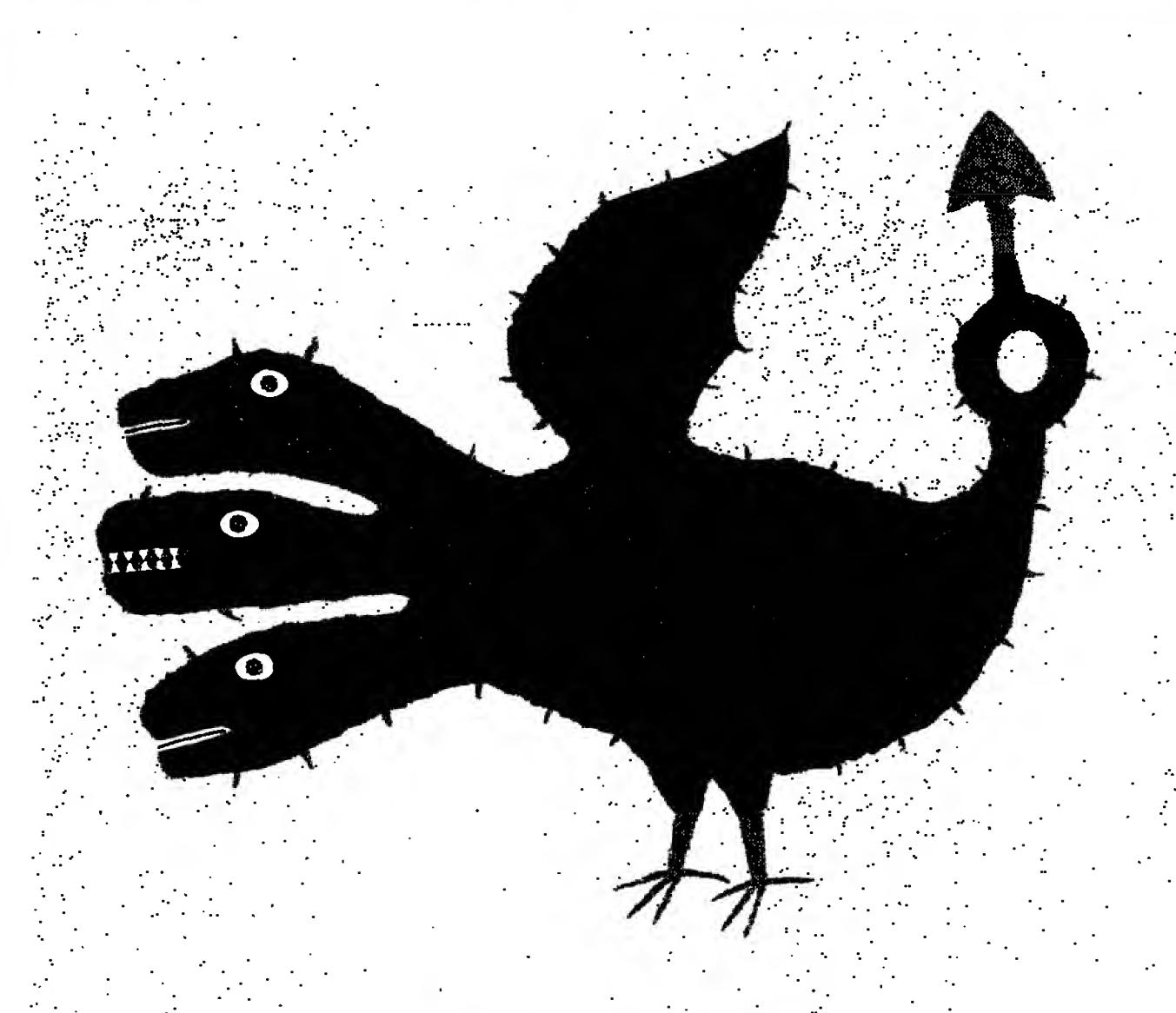
project finance, going to our clients in China and saying we can provide you with advice on how to structure, and as we are a major project finance bank, we will be part of the project finance providers," Mr Bush says. "There is not the same difference as there is in Europe and the US between the advisory role and the finan-Another facet of investment

banking eschewed by many but embraced by NatWest Markets is mergers and acquisitions, Goldman Sachs (Asia) which like many of its US brethren has contracted in recent years, has put together some US\$3bn worth of M&A deals, including the sale of the final tranche of Star TV, the pan-Asian satellite broadcaster, to Rupert Murdoch. "Although the business is invisible, it is an important and growing one for us," says Mr Mark Evans, chairman and managing director.

Mr Evans's comments put him in a minority in Asia today; most bankers believe the proliferation of family controlled companies precludes an active M&A market. J. P. Morgan's Mr Beczak says: "There is virtually no M&A business throughout Asia"; and is echoed by Mr Jack Wadsworth, chairman of Morgan Stanley Asia: "We have very little M&A stuff here".

China is, naturally, the big hope of many in Hong Kong's investment banking fraternity. But for most, the country is a long, steady slog. Today, the bulk of experience is a sprinkling of branch and representative offices making bread-and-butter money out of trade financing. Perhaps the biggest step has been taken by Morgan Stanley, which has formed the trailblazing joint venture international investment bank with a licence to do domestic investment banking.

With no model to follow, the bank's parameters are clouded to say the least. As Mr Wadsworth says: "Doing business



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in China is tough. It's a good ber of bankers. "It's not interopportunity, it's very big. But now, it's a mess."

# Fund management: by Louise Lucas

## Rivals threaten premier role

The colony's status as the region's leading investment centre is being challenged

Fund management is a quintessential Hong Kong services industry. It relies upon the sort of financial infrastructure, information and telecommunications hubs on which

the colony prides itself. Soon, politicians willing, there will be another attraction: some HK\$30bn a year is set to be unleashed by the new mandatory provident fund (MPF), a retirement scheme that will depend on a mixture of government and compulsory

personal contributions. But none of this means Hong Kong's future role in fund management is assured. Other countries in the region, notably Singapore and Malaysia, are making bids to lure business to their shores. Simulta-

neously, as global communica-

tions improve, some may see

the need for a regional head-

quarters diminish, and prefer

instead to manage asset loca-

tion out of the US or Europe.

As Mr Marc Faber, who runs his own fund management firm, says: "In Europe, you have London as the financial centre, and there they run money in European and global equities. Will Hong Kong in 10 years' time still be the region's fund management centre? I

have my doubts."

Fund managers, including HSBC Asset Management, one of the three biggest companies, have already bitten at the bait offered by Singapore and, to a lesser extent, by Malaysia. In January, BT Funds Management, a subsidiary of the Bankers Trust Group, became the first foreign fund manager to be signed in Malaysia since the country liberalised its finance industry last June. BT entered the market via a joint venture deal; other firms, including Jardine Fleming, are poised to

Increasing the attractions of other countries are dark mutterings about an excessive regulatory regime in Hong Kong. Fears have intensified since

the move, effective from July 1 last year, to scrap commission rebates. Many believe the securitles watchdog, the Securities and Futures Commission (SFC), has become too powerful and that its substantial funds mean it has the luxury of delving into areas that do

not need to be changed. There are also concerns, made more real by Beijing's January edict to control the flow of news and business information within China, that the availability of economic data and analysis will dry up once China resumes sovereign-

Hong Kong's three biggest fund managers concede some or all of the minus points, but say they remain committed to the colony. HSBC Asset Management, which manages some US\$9bn of its regional US\$12.5bn out of Hone Kong. dubs it "the regional centre today and for the forseeable

Notwithstanding its faith in the colony. HSBC last year moved the fund management responsibilities of two key funds to Singapore, and now manages some US\$1bn out of the island. There were two reasons for the move: first, the fact that the Singapore government has tantalised foreign managers with the prospect of a slice of its massive Central Provident Fund; second, a desire on the part of HSBC to shift stock selection responsibilities closer to the relevant

markets. Jardine Fleming, which claims US\$22bn under management regionally, is not ruling Singapore out and has already taken the first steps towards developing a joint venture in Malaysia. However, as belits the company co-owned by Jardine Matheson, one of Hong Kong's oldest conglomerates, the colony remains the regional headquarters.

Mr Robert Thomas, managing director of Jardine Fleming Investment Management, says Hong Kong is already seen as part of China and, consequently, as the gateway to

regional business. "Plus, here you have got all the top-class lawyers, accountants, brokers and everyone else you could possibly want, and a solid legal background. In most respects you are getting the same quality of services as New York or London, so it makes for a first world financial centre," he adds.

This view is echoed by Fidelity Investments, which manages roughly half its US\$20bn regional funds out of Hong Kong. In addition, Fidelity attaches importance to Hong Kong's cosmopolitan workforce and open regulatory environment - the US-based house. unlike Jardines, has never been able to accept commission rebates and so supported the ban.

The colony may remain in demand as a regional headquarters, but its domestic market is more challenging than promising. Research shows by the Legislative Council just 4 per cent of the popula-

tion invest in unit trusts: in reality, fund managers say penetration is much less. Conversely, competition in the business is fierce: there are able proportion of whom are some 47 fund management companies operating in Hong already in retirement schemes. Kong, managing some 600 funds with total assets of

Investment headache? Good brokers add to Hong Kong's attractions AP

around US\$32bn. While most of the industry professes to believe the MPF will be up and running within two years, it is by no means a foregone conclusion. The bill to set up the MPF was passed (LegCo) last July, but Beijing challenge, having the technol-

has not yet endorsed it. And, while the MPF will undoubtedly bring in new money, it will be limited - in keeping with the 6m population, a size-

Details on the MPF are still conspicuously absent, but the demographics of corporate Hong Kong - where small, family owned companies are prevalent - means the administration of the pensions will be no small task. Both Jardine and HSBC Asset Management reckon they are equal to the

ogy to manage the fund, but agree the economics have yet to be worked out.

One thing is clear - competition will be intense. It appears the government was at one time considering awarding the private sector responsibility for the whole package - the management of funds, the adminis tration of schemes and the role of custodian and trustee. This means it is likely that companies bidding for the business will form affiliations in order to perform the different tasks. Foreign businesses may be tempted in to administer and manage funds; consultants may harbour ambitions to

administer schemes. - Growth on the institutional side should not end at the MPF. Mr Robert Duggins, chief executive (Asia Pacific) at HSBC Asset Management, says he still hopes to see income flowing from non-pension mandates such as government

#### Dark mutterings about excessive regulation are not helping the Hong Kong case

funds and corporate surpluses. On the retail unit trust side. he sees growth being driven by distribution. Four years ago unit trusts were all but invisible and perceived as being strictly for the wealthy; now, banks are big retailers of the funds and monthly savings plans - where investors can contribute smaller amounts monthly - are more common-

Yet problems persist: the paperwork is seen as confusing and overwhelming, and unit trusts compete against an immensely user-friendly stock exchange in a place where investors pride themselves on their market knowledge.

عثد

Cross border selling also poses a headache, much to the puzzlement of Jardine Flemings' European colleagues. Says Mr Thomas: "One of the ironies of progress is that as each country gets more sophisticated and builds up its financial markets it also builds up cross-border barriers.

"For example, Taiwan used to be a great place to sell our unit trusts. Now it is keen to promote its own mutual fund business and the authorities make it more difficult to sell our products,",

company's rising debt and slow

PROFILE

Marc Faber, manager of the Iconoclastic International Fund

## The prophecies of Dr Doom

Mr Marc Faber, who runs his US\$30m Iconoclastic International Fund out of Hong Kong, is not your average fund manager.

The Swiss born former Wall Street broker sports an ever-shortening ponytail (the scissors come out when his predictions about the Hong Kong market fall to materialise) and likes to lounge back in the sort of wooden chair a planter might have collapsed into at the end of a long day under the tropical sun. In an industry more or less

dominated by the three big players - Jardine Fleming. Fidelity Investments and HSBC Asset Management - he is something of an icon himself. His boutique-type outfit has flourished through its founder's contrarian pronouncements, its diversification and its international network of contacts: Mr Faber is also associated with funds covering India and Russia.

The firm has a staff of 10 to support the broking and fund management activities, and to produce a monthly investor newsletter. "The Gloom. Boom and Doom report.

Known himself as Dr Doom. Mr Faber tends to challenge popular opinion. Not for him the accepted wisdom that there will be a boom in Asian markets this year or - the

favourite mantra of the colony's property developers and analysts - that property prices will bounce back to new highs. On Hong Kong's own property market, where HK\$1m will buy a tiny 500 sq ft flat in the further reaches of the Kowloon peninsala, he says: "I think this market has peaked out forever".

But he does, of course, see that there is money to be made: his Iconoclastic fund takes long and short positions around the world, identifying opportunities in distressed stocks and selling short those perceived to be expensive (which now means US technology shares).

He came to Hong Kong 23 years ago, and, while he bolds little by the way of Asjan instruments in his portfolio today, he still believes the colony offers clear advantages to fund managers dependent upon information for their livelihoods. Thanks to its number of visiting US diplomats and economists.

plus its concentration of observers of Asian economies. Hong Kong, he says, is a crucible of data and information.

However, its future as the preferred location for managers of Asian funds is in question and will be even more at risk once the corporatisation of China takes off. The growth of communications technology will splinter the industry so that fund managers either base themselves in the heart of the country they cover - be it China or Indonesia - or back in Boston or Edinburgh.

Mr Paber, of course, is well aware of the factors forcing change. Being in Hong Kong gives him the exposure and information he looks for, but it also brings its own bugbears. One of these is regulation, which Faber reckons is set up in such a way as to scare off many wealthy clients, especially the Chinese, after the June 1997

handover. He says that the Securities and Futures Commission (SFC) has distressed a wide segment of the sector with its far-reaching powers to walk in and read client documents.

This, detractors believe, wil exacerbate the concerns of wealthy Chinese, many of whom are nervous of keeping

funds in the colony. Thus after June 1997 Faber sees a trend emerging: "Private banking is going to shift to a large extent to Singapore or even further away, because a lot of Hong Kong Chinese and overseas Chinese around Asia who have business dealings with the mainland are wary of baving private banking accounts in a Chinese jurisdiction; some are even worried about having any in Singapore, knowing the close ties and great friendship Singapore seems to maintain

"What will stay is fund management for south China. Hong Kong and - for the time being - the mainland. But I expect that in five to 10 years' time the mainland will have. say, 10,000 listed companies: it's going to explode, it's going to be like India eventually. So then I expect fund management for China will be carried out to a large extent in Shanghal."

with the mainland.

Louise Lucas



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#### ■ Tourist industry: by Simon Davies

## Three stars for comfort

The increase in the number of visitors from Asia is

fuelling demand for lower-tariff hotels

Hong Kong's ageing airport may be close to saturation point, and inflation may have diluted the city's attractions as a low-cost shoppers' paradise. but the colony's hoteliers are enjoying the best times since

the late 1980s. This is partly the result of a continuing rise in the number of tourists, with heavy growth from the harder currency Asian countries such as Japan and South Korea. But the main reason is that the hotel industry has become yet another vic-

tor in the property boom. Since 1993 a total of nine hotels have shut down, with almost half the 3,500 room closures taking place on Hong Kong island. This reflects not only the proliferation of new five-star properties that went up in 1990, but also a programme of redevelopment to cash in on the rising value of office space.

This is causing some concern in the Hong Kong tourist industry. Tourist spending accounts for over 6 per cent of the colony's gross domestic product, with HK\$64bn spent in 1994. It is a vital source of revenue for the retail sector at a time when local spending is extremely subdued. Mr Martin Barrow, chairman

of the Hong Kong Tourist Association, says: "We need to ensure that there is a steady increase in hotel supply. We need about 2,000 to 2,500 new rooms a year just to maintain the rate of growth in tourism"

The squeeze is less likely to be felt in the high-tariff market, which has seen the bulk of the recent closures. US and European visitor growth is currently static, reflecting weak European economies and the escalating cost of accommodation in Hong Kong compared with other Asian centres. There has also been a slight decline in the percentage of business travellers, a traditional staple of the luxury hotel market.

Additional visitors are instead arriving from other Asian countries and feeding the demand for lower tariff hotels. There has been an influx from other countries such as Taiwan, and Mr Barrow predicts that eastern Asia

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will soon account for 75 per cent of total visitors. This compares with less than 25 per cent in 1975.

Many mainland visitors which accounted for 21 per cent of last year's total - currently stay with families or in hostels and therefore have only a limited impact on the market. But the economic transformation of southern China could reverse this trend, with Hong Kong acting as a bustness hub for the neighbouring Guangdong Province. The opening of the HK\$70bn Chek Lap Kok airport, scheduled for April 1998, will accelerate the growth in tourism. While the current airport is full to capac-

ity, Chek Lap Kok will be able

to handle an additional 10m

passengers a year.

Mr John Hung, managing director of Wheelock, the Hong

Wheelock has acquired two sites for low-tariff hotels. And a further nine will be constructed along the airport railway line, adding 5,160 rooms. However, with the extremely high cost of land and the superior returns from investment in retail and commercial property, there is little incentive for property investors to boost room numbers further. Mr Gordon Wu, chairman of Hopewell

Holdings, is still planning to

construct the 2,400-room Mega

Tower Hotel, but given the

progress with planning, it is unlikely to meet its 1998 target Kong conglomerate, says: "From 1997, the amount of completion date. trade between Hong Kong and The government has started the mainland will escalate, and there will be greater need for three-star hotels."

to intervene and has introduced zoning on some land sites that are auctioned off to the property developers. It has dictated, for example, that the HK\$40bn development of the central airport railway terminal in the latest harbour reclamation project contains a That clearly goes against the

laissez-faire philosophy o Hong Kong. But, given the risks of restraining an industry that has driven the economy and which is also the colony's second largest earner of foreign exchange, it looks like a worthwhile sacrifice



Lukewarm reception? Demand for luxury accommodation such as that at the Grand Hyatt has fallen slightly

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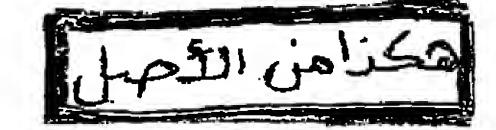
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The new airport: by John Ridding

# From rows to runway

After political feuding, Chek Lap Kok is set to clear the aviation bottleneck

Grounded by a dispute between Beijing and London, Hong Kong's new airport once stood as a symbol of the diplomatic impasse between distant political masters. Now the project is fast on course to stand as a more inspiring emblem - a demonstration of engineering ingenuity and the efficiency of Hong Kong's planning and con-

struction capability. Since the breakthrough on the political level was achieved last year, when a financing structure was finally accepted by Beijing, the airport project has advanced at a heady pace. Rivalled only by China's Three Gorges dam in terms of scale, it is on course for completion

by April 1998, according to Mr James Dundas, finance director of the Hong Kong Airport Authority.

The diplomatic tussle prompted a delay beyond the original mid-1997 opening date. and a question-mark still hangs over whether the accompanying rail link to the city centre, temporarily frozen by the dispute, will keep pace with the airport itself. Mr Russell Scott, project director at the Mass Transit Railway Corporation, says a decision will be taken next year on whether work can and should be

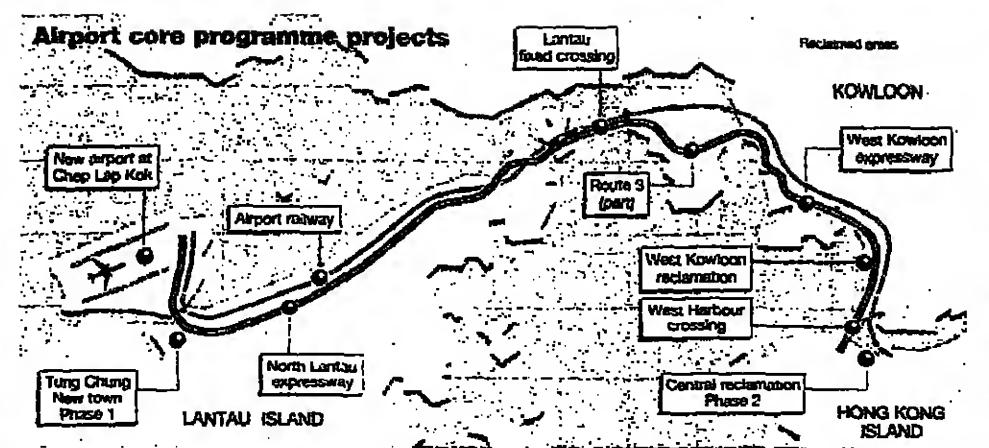
stepped up. Officials, however, are confident that budgets can be met, and even beaten. "The overall budget is HK\$158bn, which is down from projections of about HK\$163bn in 1992," says a planner involved in the project. "I don't see any reason why the

terminals. On Lantau island, adjacent to the new airport target won't be achieved." site, a new town is being built. Few big infrastructure pro-

phase one. Backed by a strong jects can make similar claims. And in the case of the Hong business lobby and the airport Kong airport, such a prediction authority itself, plans for a secis all the more striking for the and runway are already being cleared for take-off. "It is a govcomplexity and size of the projernment decision," says Mr In addition to the airport. Dundas, "But there is strong pressure for it to go ahead." which has required a vast land The new town at Tung Chung. reclamation and the flattening of a hill, the scheme involves the first to be built on an outlying island, is also poised for nine co-ordinated projects.

> expansion Once the scope is grasped. however, the question remains of whether the project can be justified. "It is the most grandiose scheme in which I will ever be involved," says one of the engineers who has worked on

Quite apart from the symbolic vote of confidence in Hong Kong's future that the new airport represents, there are more down-to-earth reasons for the scheme. Hong Kong's destiny depends on the defence of its position as an All of this, of course, is just entrepot and as a gateway to



China. With Kai Tak airport in Kowloon straining at the seams, a new site was needed. And with Hong Kong's landscarce geography, a bold solu-

tion was required. Once up and running, the new airport will deal with all of Kai Tak's annual 26m passengers and the expected growth in volume. Mr Dundas expects throughput of just under 34m passengers in the first full year of operation. "Kai Tak has done very well to ments, particularly along the years as revenues from tolls, not in a position to handle it

wring the capacity it has out of its present site, but the limits have been reached," he says. The potential for expansion will consolidate Hong Kong's position as the fourth busiest international airport and the second busiest cargo destination in the world. Air cargo

tonnage has grown at an aver-

age of 13 per cent over the past

decade, reaching more than

1.3m tonnes last year.

mass transit lines, will create new residential and shopping centres and ease the congestion on Hong Kong's transport system. "For us, the airport railway is as much to do with our other traffic as the airport express," says Mr Black, who estimates the various projects above airport rail depots will

be worth a total of HK\$140bn. Projections envisage that all of the airport authority's debts

tariffs and fees pour in. Unlike the Channel tunnel, therefore, the project's costs pose little risk to its financial backers.

This is partly a reflection of the financial structure adopted for the scheme. Debts for the initial airport project have been capped at HK\$11.6bn, compared with equity of more than three times that amount. According to Mr Dundas, there is no need to return to the government for equity injections

for future stages in the project The airport authority's finance chief is similarly relaxed about the increase in competition between airports in the region. Facilities are being expanded at Shenzhen and Zubai on the mainland and in neighbouring Macau. Guangzhou has also established itself as a significant airport, handling about 10m passengers a year.

"We don't worry about overcapacity," says Mr Dundas, "If you look at the rate of growth over the past decade or so, that is not going to be a problem. The problem for Hong Kong

Airlines: by Louise Lucas

## A cloud over Cathay Pacific

Competition from China after 1997 poses a long-term threat to the island's carriers

It is the best of times and the worst of times for Cathay Pacific, Hong Kong's de facto flag carrier.

The 1998 opening of the colony's new and bigger airport at Chek Lap Kok gives Cathay Pacific the opportunities that have been found wanting at Kai Tak, the existing airport in the heartland of residential Kowloon.

But as horizons broaden, so too does competition. The international operators could always have been

counted on to descend on Hong Kong, aviation hub of the rapidly growing Asian region. Regional competition. from the increasingly slick likes of Thai Airways and Singapore Airlines, was likewise on the cards.

What Cathay and its parent, Swire Pacific, had hoped to put to rest, in a carefully drafted ownership structure hammered out in 1992, was competition from China itself. Indeed, says Swire, this eventuality is in theory ruled out in the Sino-British Joint Declaration, which says that a Hong Kong airline running sched-

uled flights originating from Hong Kong must have the territory as its principal place of business.

But in practice the safeguards appear not to have had the desired effect: China's Civil National Aviation Corporation (CNAC) is expected to obtain its air operator's certificate in the next few months, and to start applying for air routes shortly thereafter.

Taken at face value, a Chinese airline ought to pose Cathay is

investing heavily to offer customers greater value for money

scant threat to an established international carrier. But CNAC has one huge advantage: it is controlled by Beijing's aviation regulator, the Civil Aviation Administration of China (CAAC).

It is this that worries Cathay, Says Mr Rod Eddington, managing director: "I feel uncomfortable about competing with the commercial arm of a regulatory authority because it allocates air routes. How can you be player and

Parentage apart, Cathay is unlikely to feel the pinch of competition from CNAC in the short term. Industry players reckon it will start with the market it knows and which will not incur the same expenses - China. This means that the first flush of competition will be felt by Dragon Air, today's preferred choice for Hong Kong business travellers

flying north.

ect and its related facilities.

These include the railway link

to the city centre, the world's

Hong Kong's

destiny relies

on the defence

of its position

longest road-rail suspension

bridge, and extensive property

developments above the rail

Dragon Air itself has a colourful, if short, history, Set up in 1985, it is now owned 30 per cent by Cathay Pacific, 13 per cent by Swire Pacific, 46 per cent by Citic Pacific, the Beijing investment group, and 11 per cent by private investors, including the family of Mr Steven Chao, the Shanghai-born textiles magnate and founder of Dragon Air. According to those involved

in its inception, Dragon Air was set up with the express purpose of establishing a Hong Kong owned and managed airline. (Cathay, in contrast, in which John Swire and sons of the UK has a substantial stake, has a British identity.) But the company flew into alltoo-ordinary problems, racking up losses and suffering from the effective statelessness of Mr Chao (the family shares are now held by his sop, a British passport holder). Problems came to a head in

November 1989, when the late Sir Y. K. Pao, one of Hong Kong's leading business tycoons, sold his controlling 37.8 per cent stake. Just two months later, on January 17 1990. Cathay Pacific and Citic together swooped on the smaller airline in a joint HK\$700-750m takeover.

It was Dragon to which Air Cathay looked when CNAC's intentions first became clear. Cathay sought to divert CNAC's ambitions by offering it a slice of Dragon Air; coincidentally, the 10 per cent offer was pitched at some HK\$700m. according to market estimates.

Bankers to the deal, which would have led to a listing of Dragon Air early this year, have been taken off the case. According to Mr Steven Miller, Dragon Air's chief executive. back in the early days under Sir Y. K. - a man with no love lost for Cathay - the notion was a non-starter.

"CNAC wants a share of aviation in Hong Kong post-1997. It is already in China, and has the regulatory authority as parent. For sure it is not going to be satisfied being a 10 per cent investor in Dragon Air. and HK\$700m is a lot of money when you can start off by leasing aircraft," he says.

Cathay's stance now is for continued negotiation, employing all the diplomacy and goodwill it can muster. It



Suffering turbulence? Cathay's planes en route from Hong Kong will soon compete with those of CNAC Rever

recognises that competition, in what is the hab of one of the sector's most attractive regions, is springing up from all quarters, and looking increasingly good; as Mr Eddington acknowledges.

"You live or die on your ability to compete". To that end, Cathay is investing heavily to offer customers greater value for

improve margins by contain-

ing costs. The immediate outlook, says Mr Eddington, is bright: "Airlines worldwide have had a much better 1995 than 1994, and that's certainly money, and working hard to

true for us." The airline last year turned low.

in a profit of \$HK2.98bn. But analysis are increasingly bearish. For the short hanl, the impact of CNAC may hit Dragon Air ~ sparking something of an intra-China battle in the skies, with CAAC pitted against Citic - but in an increasingly politicised environment, it seems likely that the only way Cathay will be able to survive is with a changed ownership structure. which would mean extending CNAC's current stake of 5 per

cent.

The shufflings going on at Cathay's premier Chinese shareholder, Citic Pacific, underline the writing on the wall. Last week Citic replaced its top dogs on Cathay's board - Mr Larry Yung, chairman, and Mr Henry Fan, managing director - with two men bearing the altogether lesser titles of director and assistant to the managing director. Mr Yung's lame excuse (for a non-executive director) was a desire to spend more time on Citic.

Cathay insists it is a Hong Kong company through and through, being controlled by the Hong Kong listed Swire Pacific. To industry watchers, however, its rhetoric is starting to sound rather hol-

Hong Kong International Terminals: by John Ridding

## Mainland mission takes off

Port traffic to and from China (000 tonnes)

Expansion in China and new efficiency at Kwai Chung port are the heart of the group's strategy

Several thousand trucks pass each day through the gates of Hong Kong International Terminals (HIT). Inside the company's headquarters, the activity is just as intense as the world's largest private port operator, a pillar of Mr Li Ka-shing's business empire, strives to consolidate its position.

At the heart of the group's strategy is a bold expansion in southern China and improved efficiency in Hong Kong, the world's busiest port, which, arong with the rival operator, MTL, it dominates.

"We are building up our position on both sides of the border," says Mr John Meredith, HIT's managing director, referring to a string of new ports being developed across the River delta and the HK\$1.5bn modernisation programme at its facilities at Kwai Chung, the Hong Kong port. In so doing, HIT provides an example of how some of Hong Kong's biggest business groups are adapting to the expansion of the southern Chinese economy. By forging partnerships with mainland partners, such as Cosco, and investing in new facilities, the group is capitalising on the spread of industrialisation across the border and securing its position as trade flows diversify. By investing at home, it is seeking to ensure that its Hong Kong stronghold remains the leading port cen-

tre in the region. But it is not all plain sailing.

| Year | Ocean  | River  | To       |
|------|--------|--------|----------|
| 1985 | 5,723  | 6,615  | 12       |
| 1986 | 7,051  | 7,623  | 14       |
| 1987 | 8,205  | 8,368  | 16       |
| 1988 | 8,925  | 8,897  | 17       |
| 1989 | 9,769  | 7,798  | 17       |
| 1990 | 9,824  | 8,407  | 18       |
| 1991 | 11,648 | 10,344 | 21       |
| 1992 | 11,825 | 18,138 | 29       |
| 1993 | 13,902 | 20,374 | 34       |
| 1994 | 18,711 | 28,036 | 44       |
|      |        | Port   | Davelopm |

HIT and the other Hong Kong port operators have been struggling to agree on a planned expansion of capacity. The company, which accounts for about 4.5m TEUs (20ft equivalent units) of cargo each year at Kwai Chung port, also faces a challenge from rivals in Singapore and Taiwan, which are seeking a bigger slice of regional and trans-Pacific

The stakes extend beyond HIT. The port operator provides a big chunk of profits at Hutchison Whampoa, the conglomerate controlled by Mr Li Ka-shing. Analysts estimate that HIT achieved operating profits of HK\$3.2bn in 1994, and an operating margin of about 50 per cent. "It is one of the cash cows of the group," says an industry analyst.

At the moment, it is capacity rather than growth that is emerging as the main issue. Fuelled by the strong economic expansion of southern China, throughput at Kwai Chung has grown by double-digit rates over the past decade. The Hong Kong Port Development Board forecasts container throughput will reach 32m TEUs by 2011, compared with about 12.5m

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TEUs last year. That represents an increase every year almost equivalent to the capacity of Felixstowe, the UK port

which is owned by HIT. Capacity expansion has been stalled for the past three years by a protracted dispute, stemming from friction in Sino-Brit-**Pearl River ports** 

O Port development by HIT Nanhai 🕜 Part of the second seco

ish relations and the participation of the Jardine group in the Tsing Yi consortium, which was awarded two of the four berths in the new CT9 terminal. A softening of Beijing's stance has cleared the way for an agreement, but it requires a complex reshuffling of existing berths.

Despite the delay and the ensnaring of politics and business. HIT appears sanguine. "We have been able to compensate by upgrading productivity," says Mr Meredith. A series of measures, such as the increased use of computers systems to manage cargo flows and the use of swipe cards by truck drivers making deliveries, has boosted efficiency. The turnaround time for a truck, for example, has been halved over the past three

Efficiency measures in Hong they will benefit."

Kong are one prong of HIT's strategy. Away from its home port, the biggest thrust is the expansion of facilities across southern China. These ports, formed through joint ventures, range from the river port at Jiangmen city to a facility at Gaolan. At Yantian, to the east of Hong Kong. HIT is developing a new deep water port with initial capacity of 500,000

To buttress its position away from Guangdong province, HIT has formed a joint venture with the Shanghai port authority and is involved in an expansion plan that is scheduled for completion by the end of this

Mr Meredith cites two reasons for this activity. One is the rise in intra-regional trade. "Twenty years ago, about 65 per cent of our business was with the US - now the proportion is about half that." For a port operator this matters, because there is an increasing demand for direct shipments from southern China to destinations within the region. Also, such trade can use smaller vessels than the 4,000 TEU ships that ply the trans-Pacific routes and require deep water ports.

A second factor has been eco-

nomic development across southern China, which has increased demand for trade and transport infrastructure. "You can't dictate clients' demand. Ultimately, you have to be where the business is happening," says Mr Meredith. The activity this strategy has prompted is not without risks.

Although Mr Meredith reckons that a new berth in China costs about half as much as in Hong Kong, the sums are still substantial. In addition, some observers cite a lack of co-ordination in the region's infrastructure. "The locations often have as much to do with politics as they do with trade." says one banker involved in infrastructure projects.

But for most, the risks are outweighed by the potential rewards. "They are getting their feet in the right doors," says one shipping executive. "And on the assumption that trade growth remains robust.

#### Hong Kong: The 'Unique Idea' Will Continue to Grow for Generations to Come

A Local Perspective from The Better Hong Kong Foundation

Tong Kong plays many parts on the I world stage: financial centre of Asia; focal point for global commerce; and exotic tourist destination. Because of these and other unique qualities, and because it remains a multicultural marvel of international cooperation, Hong Kong engenders a sense of ownership among everyone who visits, everyone who conducts business in it or through it, and everyone who values the free marketplace at its best.

To all those around the world who cherish the fundamental concepts - free trade and free enterprise - of Hong Kong, it may be helpful to hear a local perspective ол Hong Kong's future. People in Hong Kong believe that Hong Kong became what it is through a combination of forces that will continue undiminished long after July 1, 1997: entrepreneurial spirit; productivity and hard work; and respect for property and the rule of law, These fundamental forces will enable Hong Kong to continue to shine because China and the people of Hong Kong are committed to making it so.

After all is said and done, the reality is: the success of Hong Kong will depend in large measure on three factors: the goodwill of the authorities in China; the commitment of Hong Kong's own people to make it work; and the international community's willingness to recognize that it is just possible that Hong Kong's brightest days lie ahead.

China - through formal agreements and continual reinforcement by senior government officials - has stated categorically that the basic goodwill to implement the Basic Law governing Hong Kong's future genuinely exists in Beijing. Indeed, many aspects of the economic and commercial integration have already been completed.

As for the people of Hong Kong, those who built this shiring city and made it the "Pearl of the Orient," they have never forgotten that Hong Kong is, first and foremost, their home. Nobody cares more about Hong Kong's future than 6 million

residents who call Hong Kong home. Although one hears many points of view, as in all free societies, Hong Kong's people are taking an increasingly constructive position with respect to their future as part of China.

The international community is more an unknown. As the spotlight focuses more and more on Hong Kong during the runup to July 1, 1997, it will be refracted according to differing perspectives on China, and the growing economic power of the Asia / Pacific region.

A new organization came into being in fare 1995 to address the questions and concerns of these three essential constituencies. Its purpose is expressed in its name: The Better Hong Kong Foundation - it is for Hong Kong; it is reinforcing the foundation for Hong Kong's

The Foundation is conprofit, privately funded and apolitical. Formed by leading business people in Hong Kong, the Foundation seeks to instill and encourage confidence in Hong Kong during and after 1997. Its initiatives range from sponsoring programs to enhance understanding of Hong Kong's economic future, to sponsoring community programs that built esprit de corps in the local community.

The Foundation also serves as a vehicle for enhancing two-way communication between Hong Kong and mainland China during the transition. In January, a delegation of Foundation members met with senior Chinese officials, including Premier Li Peng, Vice Premier Zhu Rongji, Minister of Foreign Trade and Economic Cooperation Wu Yi, and People's Bank of China Governor Dai Xianglong. The



Foundation members offered wide-ranging recommendations and concerns for consideration in Beijing, and received strong assurances that China's leadership has every intention of maintaining the onecountry, two-systems model spelled out in the Basic Law.

The one-country, two-systems principle means that within the one country "China umbrella," China will continue its socialist centrally planned economic system while Hong Kong will continue to practice its existing capitalist system. The existing legal system and the way of life in Hong Kong will remain unchanged after 1997.

The discussions with China's leadership convinced Foundation members of China's commitment to the principle of Hong Kong people governing Hong Kong after 1997.

To address the concerns of the international community, the Foundation has embarked on a wide-ranging program to raise the awareness of Hong Kong's importance in the global economy and to build confidence in the provisions of the Sino-British Agreement and the Basic Law and other policies that are designed to facilitate Hong Kong's status as a Special Administrative Region of China after July

1, 1997. The Foundation's work is based on the premise that the more informed the international business community is about the one-country, two-systems principle, and how it is actually unfolding, the better the prospects for its outcome.

The Foundation's members play an integral role in the fabric of daily life in Hong Kong and have a strong stake in building on Hong Kong's strong sense of community. 1997 represents a new era for Hong Kong, and community life is evolving, not ending. Hong Kong's success results from the contributions of millions of Hong Kong people working hard and working together. That's the spirit that has made Hong Kong an excellent place to raise a family and build a life and that spirit will endure and grow stronger in the years to come.

THE BETTER HONG KONG FOUNDATION Room 1301, 13/F., Jubilee Centre, 18 Ferwick Street, Wanchai, Hong Kong. Tel: (852)2861 2622 Fax: (852)2861 3361

# High prices, high hopes

Having survived the recent slump, developers face the future with new confidence

If property prices remain an accurate barometer of Hong Kong's confidence in its future, then fears over China would seem to have been exaggerated.

The world's second most expensive property market is about to come under the sovereignty of one of the world's poorest nations, but Hong Kong's inhabitants are taking substantial bets on the city's future prosperity. Demand for new flats is so high that after a two-year lull, the triads are again selling places in the queues outside property company offices.

Mr Walter Kwok, chairman of Hong Kong's largest residential property developer. Sun Hung Kar Properties, says: "Nineteen ninety seven is only a date in the calendar, it is not an issue any more. If people were worried about 1997, they would have left already."

Volatility has been a standard feature of Hong Kong's residential property market for years. In just the first quarter of 1994, residential prices rose by an estimated 20 to 25 per cent, and by the start of 1996 they were around 30 per cent lower.

But unlike the early 1980s, the recent property collapse has left no serious casualties. The developers have conservative balance sheets, and the banking sector has not even had to increase had debt provisions.

Steadier growth is now expected, but the numbers are still heady by international standards. Mr Henry Cheng, managing director of New World Development, says: "We don't expect a very rapid rise in property prices before 1997, just 15 to 20 per cent a year. After that, they will go up more sharply."

His confidence is shared by many. Since December, property companies have raised \$HK11.5bn for investment in Hong Kong. Even the Jardine Matheson group, which has been absent from land auctions since the early 1980s, put in a bid for a luxury residential site last December.

Ironically, confidence has been aided by the anti-speculative measures of the governor, Mr Chris Patten. These caused a sharp reduction in pre-sales - sales of new flats before they are ready for occupancy. Working capital was therefore tied up for longer than planned, leaving developers unable to embark on new projects. SHK Properties says the number of residential units sold in Hong Kong will fall to 26,000 in both 1996 and 1997, compared with

the historic average of 30,000.

Lower interest rates and

increased competition in the

mortgage market have reduced

financing costs. Meanwhile, there was a 13 per cent increase in average family incomes last year. This suggests every expectation of a pick-up in demand.

The mass property market should lead the way. Hong Kong is once again experiencing net levels of immigration, but much of the addition is from mainland China, where affordability is lower. Moreover, more than half the population is still housed in government properties and rising salaries will enable more people to move out.

The luxury property market still faces downward pressures. Fewer financial services com-

ordene.

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Sign of the times? Despite 1997, demand for new flats is high Sarah Afterny

i egstylage December

panies are handing out the £10,000-£20,000 a month housing allowances that becameprevalent in 1993 with the arrival of numerous US investment banks.

The commercial property market, meanwhile, is still suffering a hangover from the last boom. It was the target of a wave of mainland Chinese money that was trying to escape a depreciating local currency in 1993 and early 1994, but the funds dried up with China's austerity programme.

Mr Peter Churchouse, managing director of Morgan Stanley, says: "Commercial property prices have fallen by between 35 and 50 per cent since the fourth quarter of 1984. At those prices, you had to believe that the risk premlum in Hong Kong had halved from its traditional average."

With many a new office property coming on stream over the next two years, the immediate prospect is for further declines. Nonetheless, a resurgent stock market and the creation of a mandatory pension scheme in Hong Kong should support demand from the financial sector. The eventual relaxation of China's austerity measures will also take up some slack. The long-term hope is that mainland corporations will flood across the border after 1997, given Hong Kong's advantages as a base over Beijing, Shanghai and Guangzhou

In the meantime, there will be further fragmentation in the market, with well located modern properties faring better. During the 1990s, Swire Pacific's property arm developed a substantial fringe business district in the east of Hong Kong island, based around the Quarry Bay intersection on the Mass Transit Railway (MTR). Occupancy is high and it has succeeded in attracting a number of banks and multinational tenants away from the core central business district.

As Mr Keith Kerr, managing director of Swire Properties. says: "A lot of international businesses are getting more cost conscious. But they would rather move down the MTR "Ine than out to Singapore."

Sun Hung Kai Properties

income to catch up.

## A calculated risk in China

Long the most conservative of Hong Kong's big property groups, Sun Hung Kai Properties is gradually coming out of its shell. The

success of its core business of building residential property has produced a substantial amount of cash flow, which is being ploughed back into infrastructure projects and China property investment.

Local development schemes and diversification across the border are each to account for only 10 per cent of assets, but for a company with gross assets of more than SHK120bn that is a substantial commitment.

SHK's aim to build a recurrent earnings base is not new. The group started developing a property investment portfolio in the early 1980s under Kwok Tak-seng, its founder. But the growth of SHK's residential development division has made it hard for rental

groups, where there are serious concerns over the succession from dominant founders to their children, SHK has thrived under Kwok's three sons. The second generation has maintained SHK's

cent."

roads.

making opportunistic investments in unrelated areas, from mobile telecommunications to toll

conservative stance, while

The group's move into mobile phones is already profitable, and it is bidding

for a new personal communications services Mr Walter Kwok, chairman licence. Meanwhile. of SHK, says: "For seven or investments in a freight eight years we have tried to forwarding centre at the Chek increase our rental profits to Lap Kok airport and a toll equal those from property road connecting western trading, but the trading side Kowloon with the New has grown so fast that we Territories have linked SHK could only achieve 40 per with mainland Chinese

investment groups. This Kwok Tak-seng died in late underlines the extent of its 1990. But unlike Hong Kong's ties with Hong Kong's future other substantial property sovereign: Mr Kwok also sits on the Preparatory Committee appointed by Belling to oversee Hong Kong's reversion to Chinese sovereignty.

Nonetheless, SHK has been menthusiastic about putting money into China. Mr Kwok says: "We have been very cautious on China. We have taken a long-term view, developing only in the best locations. In China, it is dangerous to take a short-term view, as there is going to be a lot of

over-supply." The strategy has been partially vindicated by the slump in residential property. prices in southern China over the past two years. But it is likely to take a long time" before SHK's China investments reach the 10 per

cent target. SHK's main strategic error of the 1990s has been its expansion into fringe industrial/office property. which has been the weakest segment of the Hong Kong market.

Nonetheless, the group is well placed to benefit from the transformation of western Kowloon and the western New Territories as the new airport leads to improved infrastructure. Even if SHK does not offer the same growth prospects for China projects as its competitors. the risks are a lot lower.

Simon Davies

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## The battle for business as usual

Continued from page 1

has emerged, including Mr Tung Chee-hwa, a shipping tycoon, and Mrs Anson Chan. the respected head of the civil service. Jockeying is expected to last through the summer before the result is known.

Whoever gets the nod will face a tough task. No-one expects Hong Kong to remain unchanged after 1997. From taxi drivers learning mandarin to Chinese elites moving into business and social institutions, the pull of the mainland is clear. But in the key areas of government autonomy, the rule of law and transparency in business transactions, the chief executive and his administration will determine whether the Hong Kong system remains intact.

Many argue that Beijing will not interfere in Hong Kong. "The principle of autonomy is established and is supported by the Chinese leadership," says Mr John Gray, chairman of Hongkong Bank. "They have a vested interest in this place,"

says another financial executive. "Shanghai has a long way to go before it can serve as an international financial centre." But risks may lie elsewhere. China is not a monolith, and whatever Belling's intentions. some see a threat from middleranking and provincial officials seeking a slice of the action in China's richest city. In Hong Kong itself, there is the risk that pragmatism may erode principles. "The big TV channels don't even send crews to cover my press conferences." says Mr Martin Lee, referring

ship. Hong Kong lobbying of mainland authorities has already emerged as a problem. Beljing's refusal to approve a new batch of mobile telecoms licences appears to have followed pressure from disappointed local candidates. "This shows the real risk to autonomy may come from within."

to the danger of self-censor-

says one industrialist. It also shows how business strategies have become complicated by the looming transition. "Mainland connections will continue to become more important. It is as simple as that," says one local executive.

In practice, it is not that simple. The Swire group, for example, which has formed alliances with mainland partners, still faces a threat from Chinese interests. CNAC, the airline arm of China's civil aviation

Pragmatism may erode Hong Kong principles

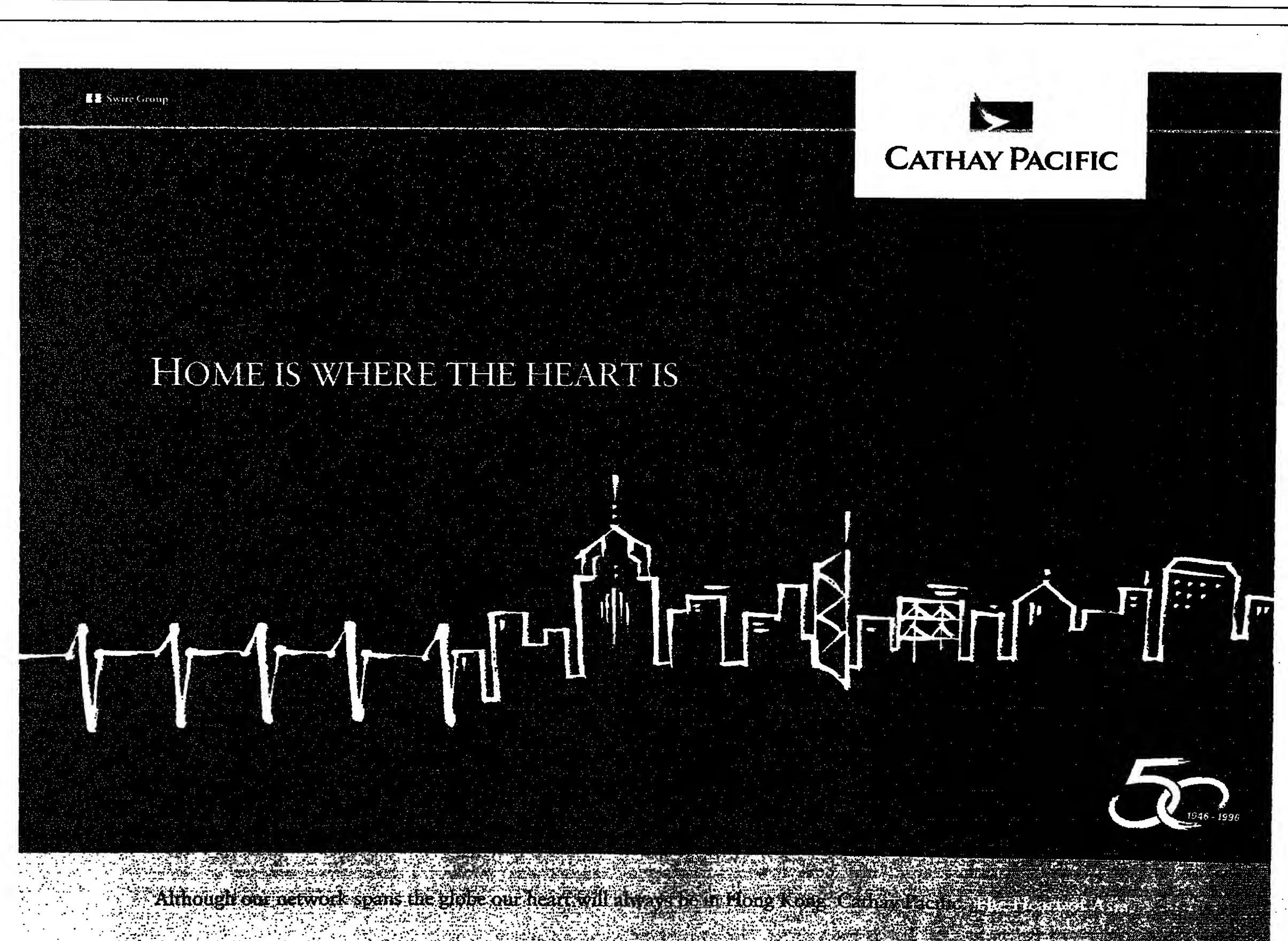
authority, wants to operate services from the territory, a move that would challenge Cathay Pacific, a Swire subsidiary and Dragon Air - jointly owned by Cathay and Citic. Swire's China-backed partner.

A broader concern in the business community is the possible rise of connections and corruption. Although few see problems now, and many accept that connections have

always played a part in Hone Kong's commercial life, such worries are frequently expressed.

Regional rivals are well placed to capitalise on any deterioration in the business climate. Singapore has already emerged as a heavyweight competitor in the financial services sector, drawing foreign exchange operations and fund management teams. The ports springing up along the southern Chinese coast, along with big regional facilities in Taiwan, Shanghai and Singapore may win a greater share of shipments.

It is not, however, a zero-sum game. The growth of trade and investment in east Asia means that Hong Kong should remain a vital hub for China and the region, if not the only one. The road to 1997 may prove bumpy. and the glamour of the quirky colonial outpost may fade over time. But if Hong Kong's new administration and its present institutions can stand up for themselves, then business can go on as usual.



The funds will buttress Hong Kong's fund management industry

# Pensions and housing funds top HK agenda

By John Ridding in Hong Kong

Hong Kong is aiming by early next year to complete legislation for a mandatory pension scheme and to set up a government-backed mortgage corporation, Mr Rafael Hvi, financial secretary, said yesterday.

They are among the most important financial and social projects on the government's agenda ahead of the handover to China in July 1997. In addition to providing retirement benefits and improved access to housing finance, they are also expected to bolster the territory's capital markets.

According to Mr Hui, the pension scheme, or mandatory provident fund, will generate annual funds equivalent to about 4 per cent of gross domestic product, or more than HK\$20bn (£1.7bn), by the early years of the next decade. These will buttress Hong Kong's fund management industry, which is facing stiff competition from

regional markets, notably Singapore. The scheme has drawn criticism from local democratic politicians who have demanded stronger government guarantees for the pension funds. Mr Hui said that Hong Kong had opted for a system in which the private sec-

tor was responsible for investment decisions and returns, rather than one with a greater role for the government, such as Singapore's Central Provident Fund, because of considerations of efficiency and philosophy.

"The power of the state is too big under the CPF," said Mr Hui. "The returns are relatively low and economic resources are locked up."

investment guidelines concerning the Hong Kong funds are being debated by government and industry. Mr Hui said that while it was too early to speculate on the shape of the guidelines, the size of the funds

meant that overseas investment would be necessary. But he added that the lack of a government guarantee for the pension funds would increase pressure for a conservative

The Hong Kong Investment Funds Association said that its basic stance was to avoid restrictions on investments in terms of geographical location or asset class. "Our principle is freedom of choice for scheme members and fund managers," said an IFA

official. With respect to the mortgage corporation, outlined in the 1996-97 budget

presented earlier this month, the aim shortfall in funds could exceed HK\$700bn by 2005 if a governmentbacked corporation to resell mortgages is not established.

The mortgage corporation is also intended to bolster stability in the banking sector. This would be between long-term mortgage lending and short-term deposit funding. Hong Kong Survey, Separate

# achieved by easing the mismatch

Building China: big promise but tough terms The infrastructure programme may not find all the funds needed, writes Tony Walker

hina's economic planners could not be accused of thinking small in the new Ninth Five-Year Economic Plan approved by the parliament at the weekend, which includes a number of so-called "trans-millennium" projects that would test the resources of even the most developed countries.

China has not provided details of total investment required between 1996-2000, but estimates by the World Bank among others, put requirements at between \$280bn (£185bn) and \$370bn. Investment flows will depend to an extent on China's ability to absorb available fimils

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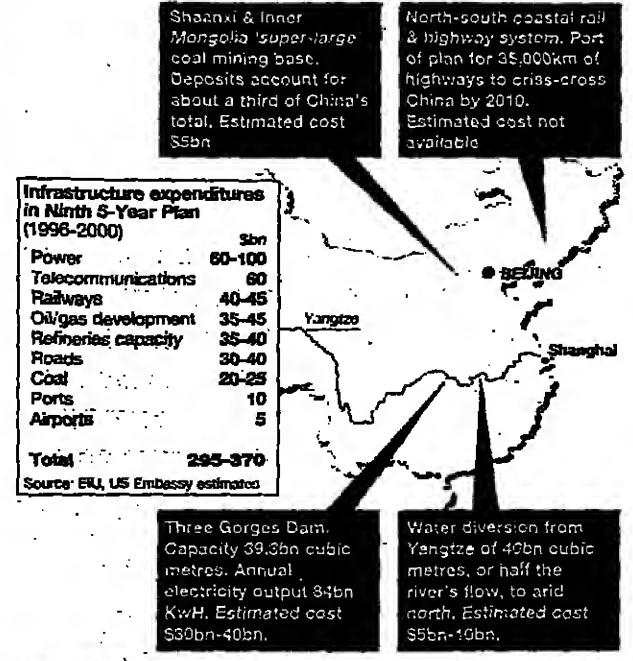
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The four most ambitious projects include the scheme to dam the Yangtze River below the Three Gorges at an estimated \$30bn-\$50bn; a scheme to divert water from the Yangtze to China's arid northern regions at a cost of \$5bn-\$10bn: the development of a coal production and power generating base in Shaanxi province and neighbouring Inner Mongolia for about \$5bn; and a coastal road and rail system linking northern Heilongjiang Province with Guangdong in the south. The first stage would join China's northern provinces with Shanghai's 500 so km Pudong development zone.

Funding for these and dozens of other projects in the plan\_including power stations,

China's giant trans-century projects



Source: State Planning Commission

telecommunications facilities, railways, oil and gas projects, highways, coalfields, ports, airports and refineries, will come largely from China's own resources, but Chinese officials are banking on 15-20 per cent coming from foreign sources.

Foreign investors in Chinese infrastructure say that despite China's appeal as a destination

for such investment, it will not find it easy to attract funds

required, given the magnitude

of the task. China has also lost

some of its lustre in the past

year or so as a magnet for

infrastructure equity invest-

ment. "A long payback period with no ready source of foreign exchange, concerns about Chi-

na's legal structure, enforce- norts. ability of contracts, the cumbersome approval process these factors all work against foreign equity participation in infrastructure projects, particularly in the road, rail and power stations," said a western official in Beijing who monitors the infrastructure

In Hong Kong, Mr Will Liley, head of The Asian Infrastructure Fund, a private investment fund based in Hong Kong, said China was facing increased competition for risk capital for infrastructure from countries such as India and Indonesia and from eastern Europe. He noted that not a single power station deal had been reached in China for 18 months, because China had been slow to develop a competitive regulatory framework for equity participation in such projects.

"investors have voted with their feet. They are very coldeyed," he said. But at the same time, Mr Lil-

ey's fund is investing in toll road and bridge projects that are mushrooming across China as the country seeks to rebuild its antiquated road system. Ports are another popular

destination for foreign funds, but railways are less appealing, since they are heavily regulated and capital-intensive. The Asian Infrastructure Fund has invested some \$200m in power, roads, bridges and

China's own spending on infrastructure continues to be constrained by a credit squeeze imposed in 1993 to calm an overheating economy. A shortage of central government finance means both the centre and local government are obliged to find creative means of funding.

Domestic sources include revenue from operations themselves, local government funds, bank loans, domestic bonds and local equity investment. Power-sector utilities are listed on China's two stock exchanges, and other infrastructure companies are certain to follow.

hina's State Development Bank, established in 1994, is beginning to make its presence felt. The SDB is a prime lender to the controversial Three Gorges projects - international environmental groups lobbied successfully against World Bank and US Eximbank assistance but it is also active across a broad range of infrastructure projects. It expects its loan book to run to Yn600bn (£47bn) by the end of the decade.

SDB, which was set up to assume some of the policylending responsibilities of China's "big four" specialised banks, this month made its first foray into the international bond market with the issue of Y30bn in 10-year samu-

rai bonds. Funds will be used for the second phase of the Daya Bay nuclear power station in southern China, and power plants also in Liaoning province and in Inner Mongolia.

A recent seminar sponsored by the World Bank and State Commission for Restructuring the Economy heard China's requirements for foreign funds for infrastructure would total some 89bn-\$15bn annually for the next five years.

China hopes that much of this funding will come in the form of soft loans from sources such as the World Bank, which is providing about \$3bn annually, the Asian Development Bank and Japan's Overseas Economic Co-operation Fund. Export credit lending is another important source of

funding, however, use of these funds has slowed because of China's unwillingness to provide bank guarantees in many Beijing, if it is to secure the funds necessary for its ambi-

tious infrastructure programme, may be obliged to be more accommodating of foreign investors, especially in the power sector. The alternative is to fall well short of its development targets, thus reinforcing bottlenecks in its econ-

Editorial Comment. Page 15

# Imports growth cuts Japan trade is to avoid a predicted shortage in mortgage funding. According to the Hong Kong Monetary Authority, the shortfall in funds could exceed

By William Dawkins in Tokyo

The continued growth in Japan's appetite for imports was the main factor in a decline of nearly 46 per cent in its trade surplus in the year to last month, the eighth monthly decline running.

Formerly export-obsessed Japan yesterday reported a gap of just \$6.1bn (£4bn) in February, slightly above market esti-mates and sharply down on the \$11.3bn of the same month last year. Imports grew 16.8 per cent, according to preliminary figures from the finance minis-

It was the 36th consecutive month of increased imports and took place despite the weakness of Japanese consumer demand for most of that

period. This is evidence. Tokyo economists say, that the rise in imports is structural, rather than a passing phenomenon.

"There is a genuine underlying trend, partly driven by the growing number of Japanese companies which produce more goods abroad and reexport them back to Japan, as well as by the simple increase in cheaper imports." Ms Mineko Sasaki-Smith, chief

in Tokyo, said. Finance ministry officials said they expected the surplus to fall further, though many private-sector economists believe the rate of decline will ease in the next few months in response to the strengthening of the dollar against the yen since last summer.

economist at Morgan Stanley

Exports dropped by 3.3 per cent in the 12 months to February, the first fall in three years, attributable to a one-off correction from unusually high overseas sales in February last year. This was when Japanese exporters were rushing to catch up on deliveries delayed by the January 1995 Robe earthquake.

But compared with January this year, overseas sales rose by the same amount, 3.3 per cent, a pace of growth which reflects weakness of demand in

Japan's broad M2 money supply rose 2.8 per cent in February from a year earlier. after expanding 3.1 per cent the previous month, the Bank of Japan said yesterday, AFP reports from Tokyo. M2 is the broadest measure of total money supply, comprising cash in circulation, deposits in bank accounts as well as

quasi-money, including time deposits and treasury bills. M1, or cash in circulation. rose 16.0 per cent in February after rising a revised 14.7 per cent in January. Preliminary data had shown a 14.8 per cent rise in M1 for January. Certificates of deposit rose 45.0 per cent year-on-year in

February, after rising a revised 32.7 per cent in January. Preliminary data showed a 30.6 per cent rise in CDs in January. A BoJ official said M2 plus CDs retained a modest rising trend, in line with the gradual domestic economic recovery.

the US and Europe, economists

Among imports, the fastest selling foreign-made goods were semiconductors and other electronic components, up nearly 69 per cent year-on-year. while imports of office equipment, including computers. rose 59 per cent.

Japan's surplus with the US dropped 30 per cent to \$3.4bn, a figure likely to evoke satisfaction in Washington as officials prepare for next month's summit between President Bill Clinton and Mr Ryutaro Hashimoto, Japan's prime minister, who is noted for his hard line on trade.

The surplus with other Asian countries, on a long-term rising trend, also dropped, by almost 39 per cent to \$3.8bn. the second monthly decline. The main feature in that was a sharp drop in exports of

video equipment to Asia, a consequence of a recent increase in Japanese companies' offshore production. Barriers fall to import invaders, Page 15

## Oueensland ends NSW power plan

By Nikki Tait in Sydney

A new conservative coalition yesterday axed a A\$300m (\$232m) power project which would have linked the state's electricity supply to that of neighbouring New South Wales, a move which runs counter to Australia's efforts to establish a national electricity

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Traditionally, generation and supply of electricity have been state-based responsibilities in Australia, and over-investment has tended to lead to excess capacity. More recently, a few interconnections have been established between southern and eastern states. Plans to establish a competitive "national" market, albeit based initially on just four states and territories, have been delayed.

The so-called Eastlink proposal, which involved constructing a 400km transmission would have seen Queensland buy excess NSW electricity by the late 1990s. But the plan was vigorously opposed by some residents in south-east Queensland concerned about the environmental impact, the effect on farming and property values and a possible health risk

from electromagnetic fields. Yesterday, Mr Rob Borbidge, new leader of the Liberal-Naline across the state horder tional coalition government in Queensland, said his administration did not believe "the answer to Queensland's electricity supply problems lies in putting an extension lead across the border so that we become totally reliant on (NSW's) Labor government to keep the lights on at home".

ASIA-PACIFIC NEWS DIGEST

## Irian Jaya riots close to capital

Hundreds of people rioted near the irian Jaya capital of Jayapura yesterday, following the arrival for burial of the body of Thomas Wapai Wainggai, a separatist Irianese leader, who died in a Jakarta jail last week. The rioting followed violence last week in and around copper and gold mines in Timika and Tembagapura, about 600km from Jayapura. A military official in Jayapura said rioters had burned buildings in Abepura, south of the provincial capital, and damaged fores and vehicles. Three people died in the violence.

Mr Wainggai, an Irianese anthropologist, was jailed for 20 years for subversion in 1988 for proclaiming an independent Melanesian state in Irian Jaya. He is believed to have belonged to the Free Papua Movement, the most prominent of a number of groups in Irian Jaya which advocate an independent state of West Papua.

Manuela Saragosa, Jakarta

Manuela Saragosa, Jakarta

#### Indian court bails politicians

Two senior Indian politicians and three other suspects were granted bail yesterday by a special court trying a bribery scandal which has tainted virtually all of the country's political parties. Judge V B Gupta gave bail to Mr Madan Lal Khurana, former New Delhi chief minister, Mr Harmohan Dhawan, former minister of state for civil aviation, businessman Mr B R Jain, and two senior bureaucrats. from a

The scandal is a major blow to the ruling Congress party and the main opposition Bharatiya Janata party. Mr Khurana, the first BJP chief minister of New Delhi, was forced by party the first BJP chief minister of New Delhi, was forced by party bosses to resign. Most of the 24 people charged in the scandal bases to resign. Most of the 24 people charged in the scandal have denied any wrongdoing, accusing rivals of trying to smear their reputation ahead of an upcoming general AFP, New Delhi

## Retail prices up 7.7% in China

China's retail price index was up 7.7 per cent in February against the same month last year, marginally higher than the 7.6 per cent registered in January. The State Statistical Bureau attributed the pick-up to the spring festival holiday in February, a time of banqueting and family reunion, "Prices are pushed up by strong demand during the festival every year, with prices of a large proportion of goods becoming market-driven," a bureau official said. Tony Walker, Beijing

■ Vietnam's trade deficit was \$594m in the first two months of the year, up 35 per cent from the same period of 1995. according to preliminary figures.

Mr Khamtay Siphandone, Laotian prime minister, addressing a congress of the Lao People's Revolutionary party set a goal of 8 to 8.5 per cent annual economic growth up to Reuter, Vientiane

## Arrest steps up bureaucratic feud in S Korea

By John Burton in Secul

Bureaucratic turf battles in South Korea can be a nasty business. Consider the case of Mr Lee Chong-hwa, a senior official at the country's Fair Trade Commission, who has been arrested on corruption charges.

State prosecutors have raised suspicions that Mr Lee and other officials at the FTC may have unusually close relations with the big business groups they are supposed to regulate. But FTC officials suggest the case against Mr Lee may be

part of a campaign by prosecu-tors to gain the right to investigate economic violations that is now the sole preserve of the

Whatever the truth of the matter. Mr Lee's arrest has intensified a feud between the agency and prosecutors over who should have the authority to punish antitrust violators.

Mr Lee, head of the FTC's last week with allegedly accepting Won32m (\$41,000) in bribes from Hansol Paper, South Korea's largest paper company, in 1994 and 1995.

The incident has increased criticism that the FTC bas proved ineffectual in curbing the growth of the country's main industrial groups, or chaebol, that dominate the Korean economy. Hansol Paper, for example,

has expanded rapidly by acquiring paper, finance and electronics companies since it separated from the giant Samsung group in the early 1990s. The debate about the FTC's performance has grown after

president Chun Doo Hwan yesterday denied charges of mutiny during his trial yesterday while protesters demanded he receive the death penalty, Reuter reports from Seoul. Mr Chun sat next to his successor, Mr Roh Tae-woo, to answer charges stemming from a 1979 military coup which brought him to power for eight years. "No." said Mr Chun when asked by prosecutors if the elite military group he then headed had planned to seize control of the armed forces by arresting General Chung Sung-hwa,

South Korea's former

ministry-level status to strengthen its power over chaebol activity. Some economic analysts

then army chief of staff.

believe that Mr Chung's arrest reveals the dangers of allowing the FTC to monopolise regulation of the chaebol since it helps create the conditions for possible corruption. Critics charge that the FTC

has concentrated on minor economic violations, such as misleading advertising and questionable consumer marketing methods, instead of devoting full attention to reducing the economic power of the chaebol by investigating unfair trade practices.

The Supreme Public Prosecutors' office argues that it should be given independent authority to pursue illegal economic activity. However, the FTC believes that state prosecutors lack the experience of regulating business activ the agency was recently given ity.

The Landmark London

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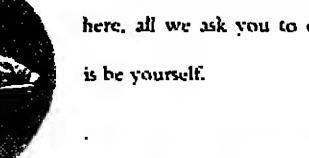
of rooms we offer to the range of drinks

Dining Room. Or, more informally, in The Winter Garden).

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## Referendum on EU 'might be binding'

By Bruce Clark, Diplomatic Correspondent

Mr Malcolm Rifkind, the foreign secretary, suggested yesterday that a referendum on British membership of a European economic and monetary union could be binding in practice, even though it would be advisory in theory.

The suggestion emerged at a hearing of the House of Commons foreign affairs committee. Other senior members of the government said privately that the decision on whether to hold a referendum was unlikely to be announced this month. This delay will disappoint Eurosceptics in the governing Conservative party. They had hoped that a referendum pledge might coincide with the party's central council on March 30. A pledge then would come one day after the start of inter-governmental conference on European Union

reform in Turin. Mr Rifkind insisted that the government had not come to any decision about whether, or on what basis to hold such a ballot. He dismissed as "entirely incorrect" reports that he was advocating a purely consultative status for the poll. He declined on elaborate on the government's earlier promise to announce the results of its internal deliberation over a referendum "in weeks rather than months."

Pressed to clarify his reference to an advisory poil in a weekend television interview. he said he had merely listing questions which had to be addressed and was not recommending any option.

These questions included the legal status of the poll, the wording of the question and the implications for cabinet members.

He noted, however, that "in all previous referendums, it has been deemed constitutionally necessary for the legal status to be advisory because [otherwise] it would conflict with the sovereignty of Parliament . . . but governments have always indicated that

they would in practice accept the outcome . . ."

Urged by Mr Peter Shore, the

Labour Eurosceptic former

cabinet minister, to "come off

the fence" and make a clear

statement of opposition to a European currency, Mr Rifkind

said Britain's interests were

already secured by the opt-outs

negotiated by the government.

"I do not see any British inter-

est in trying to pre-empt the decision," he said.

had opposed Labour's 1975 ref-

ship of the European Commu-

nity because he saw no need to

reopen a decision which Parlia-

ment had already been taken.

was against the idea of a refer-

endum in principle. "In a

mature democracy, such as the

United Kingdom is, there can

be certain issues which cannot

be resolved through a general

election because there is not

the clear division of opinion

between the two main parties."

monetary union was unlikely

to be raised at the forthcoming

IGC. He said Britain would

resist efforts by other EU gov-

ernments to address the prob-

lem of unemployment through

treaty changes because London

dld not believe this was the

Clarifying the government's

pledge to put animal welfare

on the IGC agenda, Mr Rifkind

said this would not mean

enhancing the power of the

The government simply

Meanwhile, the pro-Euro-

pean wing of the Conservative

party maintained its pressure

on the government. Mr Quen-

tin Davies, a leading Euro-en-

thusiast, argued that that if

the UK stayed out of a single

European currency, it would

cost the average British house-

holder £10 (\$15.30) a week.

right way to create jobs.

European Commission.

already oversees.

Mr Rifkind said the issue of

he explained.

But that did not mean he

Mr Rilkind confirmed that he

# Commissioner enters fish dispute

By Alison Mailland in London

Britain could curb the problem of "quota hopping" in its fishing industry by adopting schemes used by other member states, Ms Emma Bonino, the EU fisheries commissioner, said yesterday.

Ms Bonino, who had just completed a weekend visit to fishing communities in Scotland and south-west England, said the government could impose conditions on those registering to fish in UK

They could be required to land part of their catch in a particular port or to visit the port at least 10 times a year. Or they could be obliged to apply British social security rules in employing their crews.

Ms Bonino discussed these options with Mr Tony Baldry, JK fisherles minister, vesterday in response to the European Court's ruling on March 5 that Britain should pay compensation to non-UK fishermen for illegally banning them from UK waters between 1989 and 1991 in an effort to stop quota-

fishermen register in another member state to take a share of that country's fishing quota. "The European Court of Justice ruling doesn't automatically link vessel registration with quota," said Ms Bonino. "You can, in a non-discriminatory way, put conditions on the

Quota-hopping is when

allocation of quota." There are just under 150 non-UK fishermen now holding British quotas. About 100 are Spanish, 40 Dutch and the rest Belgian, according to the UK agriculture and fisheries minis-

ter. They represent about 20 per cent of the beam trawler fleet - larger vessels fishing offshore. The number has risen from fewer than 100 in 1988. Spanish fishermen are par-

ticularly keen to take advantage of UK quotas for hake, monkfish and megrim, a round fish, in western waters off Britain. British fishermen say the fish goes straight to Spanish markets. The British government

argues that there is a conflict between the single market and nationally allocated quotas, highlighted by the quota-hopping issue. It is proposing a possible change to the Treaty of Rome to enable British fishermen to enjoy the full advantage of UK quotas.

But senior Commission officials are understood to be unclear what the government intends to achieve by raising the issue at the EU intergovernmental conference, given that the white paper published last week is short on detail. They are also critical of the UK for not taking advantage of co-funding offered by the Com-

mission to pay fishermen to leave the industry between 1986 and 1995. Instead of being paid by the government to quit, some smaller fishermen sold their licences, enabling foreign trawler owners to make further inroads. Ms Bonino acknowledged yesterday that quota-hopping was a problem, but added: "If

the fishing industry believes that by eliminating quotahoppers they'll solve their problem. they're wrong . . . particularly in the UK there's a need to reduce the

overcapacity of the fleet."

Emma Bonino prepares to meet protesting fishermen at the harbour of Newlyn in the far south-west of England

## Government set to overshoot borrowing target

By Gillian Tett. **Economics Correspondent** 

The government seems set to overshoot its target for public borrowing this year, after it collected less tax than expected in February while spending more than it planned.

The likely overshoot casts fresh doubts on the government's ability to provide significant tax cuts before the general election which must be held by May next year. But with one month of statis-

tics left until the end of the financial year on March 31, some economists hope that the picture will improve if departments cut spending this The downbeat news on pub-

lic finances was partly offset yesterday when the Bank of England, the UK central bank, said the government would reach its inflation target. Mr Eddie George, Bank governor, said in Stockholm that the Bank "currently expects to meet the [inflation] target of 2.5 per cent or less through

His comment is the first public hint that the Bank supported the decision earlier this month by Mr Kenneth Clarke, chancellor of the exchequer, to lower interest rates from 6.25 per cent to 6 per cent.

Nevertheless, with an election looming, the City of London now suspects that room year.

for further interest rate cuts is limited, while the scope for large tax cuts may also be con-

strained. The Central Statistical Office said the government borrowed 23bn in February, taking the total public sector borrowing requirement (PSBR) for the financial year to £22.6bn. This level was fractionally lower than the City expected, and better than last year.

But the figure was flattered by proceeds from privatisations. Without these, the PSBR in February was £4.4bn compared with £5.1bn the previous vear.

The underlying trend cast doubt on the government's ability to meet its target of reducing the PSBR to £29bn this year from £35.9bn last

## Charm fails to compensate for dirty bathrooms

By Roderick Oram, Consumer Industries Editor

wanted a protocol which would instruct the Commission to respect animal rights in those Small hotels are long on charm. areas, such as the single marattentive staff and efficient billing ket and farming, which it systems but short on clean bath-

> rooms, good mattresses, staff training and simple managerial controls. The description came yesterday in a government document designed to help improve standards in hotels with

fewer than 50 bedrooms. The report, by the national heritage department, was criticised for its limited scope by the National Council of Hotels Associations, an umbrella organisation for groups representing

small hoteliers. "The sampling was utterly and absolutely ridiculous." said Mr Fernley Smith, president of the council and a former hotelier. "Thirty of the hotels were in London and the other 40 in the country. But there are 40,000 to 50,000 small hotels, guesthouses and bed and breakfasts."

take the findings seriously". High rates of value added tax and uniform business rates were reasons why small hoteliers sometimes could not afford the investment needed to meet standards, he added. A particular strength of small

hotels was "the personal touch they

The small sample made it "difficult to

can provide", said the Department of National Heritage. But consumers wanted "reassurance that individuality does not mean unreliability". The department examined facilities. service and business practices such as

marketing and training. Running hotels popular with customers was no guarantee, however. that the enterprise was managed on a business-like basis, it said.

Training was the weakest area. Only 20 per cent of the hotels had formal training, although 85 per cent had some informal version. Only 25 per cent of managers had been trained. "Small hotellers have great

potential to improve their revenues if they undertake some training," said Mr Stephen Harwood-Richardson, the research manager of the Hotel and Catering Training Company. The organisation draws up standards for national vocational qualifications in

dure for staff. Maids, for example, had

the hospitality sector. The 10 hotels that scored best on training also scored high on service and achieved an annual revenue per room 40 per cent higher than average. Less than 50 per cent of those sampled had any written form of proce-

no checklists for bedrooms and public

areas. This was a reason why hotels

BUSINESSES FOR SALE

cleanliness, one of the main factors by which customers evaluated hotels. Bathrooms were singled out in the report. Fixtures and fittings were normally workable but often in poor condition. Loose tiles, worn carpets, dampness, poor maintenance and inadequate ventilation were often cited by customers. In public areas, common shortcomings were dusty

tended to score badly on general

furniture and stained carpets. The 10 hotels that scored best on, service and business skills had an. average revenue per room of £20,400 a year compared with average revenue of £13.200.

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B' STATION WORKS power station building having four engine bays and a loading bay

new control room block two diesel generating units of 8.0-9.5 MW output with an option for a third unit. These are to have not more than 12 cylinders and an operating speed limited to

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 associated plant, electrical and control additions to the existing 68kV substation including two 25/37.5 MVA 11/66kV

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Phase II. LUC/10/CDS is to cover the design,

supply, delivery to site, construction, crection,

defects liability for a period of two years of the Works specified. Completion is being sought for the 'B' Station Works by the first quarter of 1998 and the 'A' Station Works six months It will be a requirement that local

manufacturers, suppliers or subcontractors shall be given the opportunity to provide materials or work which is within their competence to supply. Tenderers will be required to indicate the nature and extent of work which it is expected could be provided

St Lucia Electricity Services are currently negotiating suitable loans from international and regional financial institutions to cover the balance of the cost of the project not being met from internal resources.

When financing arrangements are finalised all companies who have expressed interest will be advised whether or not they are eligible to tender. A complete set of tender documents will be made available to all interested eligible companies in exchange for a non-refundable fee of 500 US dollars for each set. It is anticipated that the documents will become available at the end of March 1998.

Firms with proven ability in undertaking similar projects are invited to notify: Kennedy and Donkin Power

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Longshoremen's chief says employers prefer cheap labour to experienced stevedores

# US injunction sought against dockers

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By lan Hamilton Fazey, Northern Correspondent

Mersey Docks and Harbour Company is seeking an injunction in the US against 329 dockers whom it sacked nearly six months ago. The aim is to prevent them from trying to organise a boycott of the port of Liverpool in north-west England by ships calling at US

Mr John Bower, leader of the International Longshoremen's

Association on the US eastern seaboard, spoke to the 329 in Liverpool last week and promised personal support

Mr Bower told a radio station in north-west England that the Liverpool dockers' fight had echoes around the world where employers were trying to replace experienced stevedores with lower-paid Workers.

The injunction was sought last week by Sher & Blackwell of Washington, the company's

US legal representative, from the National Labour Relations Board in New Jersey. The board is a court with powers to prevent unlawful industrial action. Mersey Docks is arguing that, because secondary picketing is illegal in the UK, the men should not be allowed to do it in the US.

The action is designed to reduce pressure on Atlantic Container Lines, Liverpool's largest container customer. The sacked men succeeded in

delaying an ACL ship in New Jersey by one tide last Novem-

This prompted ACL to consider pulling out of Liverpool if the dispute was not settled. But the threat was suspended when talks were arranged between Mersey Docks and Mr Bill Morris, general secretary of the Transport and General Workers' Union in Britain,

But the 329 last month rejected the offer negotiated by Mr Morris, which was for 40

jobs and an £8m (\$12.2m) sever ance deal for the 289 men who were not offered jobs. The 329 have demanded full reinstate ment and they also want a replacement workforce of

about 150 men to be sacked. The 329 were sacked by Mersey Docks last September when they refused to cross a picket line set up by 80 other dockers who had lost their jobs when Torside, an independent stevedoring company, ran into financial problems.

#### Government plan may encourage or reward various sectors of economic activity increase

The government is considering of people deported from Britain by the Immigration and Nationality Department by making it an executive agency and setting tough new targets, James Harding writes at Westminster.

deportations

The proposal, being considered by ministers, would give the department executive agency status, rewarding managers for meeting targets on the numbers deported. The proposals are intended to improve the efficiency of the deportation service, which now removes from the UK fewer than 10 per cent of failed asylum seekers. The rest

reapply. The move is likely to prompt concern about the accountability of the service and fears that incentives could encourage deportation officers to remove applicants during their appeals.

either disappear in the UK or

In 1994 there were 32,800 asylum applications, as a result of which only 4,500 people were allowed to stay in Britain and 1,580 were deported. A Home Office official said: "About two-thirds of the people are unaccounted for because they either restart the appeal process or disappear". Deportation was used only in the last resort and very rarely, the official added.

#### **UK NEWS DIGEST**

## Boy of 14 held over guns theft

A runaway schoolboy was being questioned by police after the theft of four guns from a pensioner's home. The 14-year-old was detained peacefully, along with a boy of 16 at a house in High Wycombe, 50km west of London. The four weapons - two 22 calibre rifles and two 22 calibre handguns - had been stolen from a 67-year-old man on Friday after the boy's disappearance. Armed police spent the weekend hunting for the boys.

The incident comes less than a week after 16 schoolchildren and their teacher were killed at Dunblane in Scotland. About 500 people yesterday attended the funerals of two five-year-old girls, the first of the victims to be buried.

#### Ruling against former executives faces challenge



At least one of the nine former Barings managers charged with misconduct by the Securities and Futures Authority is ready to refuse a settlement and take his case to a tribunal to force the debate about the merchant bank's collapse into the open. The executive, who did not wish to be named, said that he was

meeting his lawyers next week and was prepared to contest the SFA's charges that he had failed to act with "due skill care and diligence" before the disaster.

Some of the nine said that the SFA, by focusing on action rather than inaction, had singled out those attempting to reorganise a chaotic institution and had cleared others who maintained a rarefied detachment. The nine executives include Mr Peter Norris, the former chief executive of Barings Investment Bank. and Mr Ron Baker, the former head of the financial products group.

Nicholas Denton, Financial Services Staff

#### Sulzer switches work from Germany and Switzerland

Sulzer, the big Swiss engineering group, is switching some of its manufacturing and test operations from Germany and Switzerland to Britain after a review of production costs. The move is benefiting Sulzer's plant in the northern England city of Leeds. The plant is one of Britain's biggest pump manufacturing factories, and employs nearly 400 people.

Sulzer's action applies to its division which makes pumps and related products such as compressors - which has annual worldwide sales of about SwFrlbn, making the company one of Europe's five biggest pumpmakers. The

company found that manufacturing costs per employee in Leeds were less than half those in Switzerland and about 40 per cent below costs in France and Germany.

Peter Marsh, Industry Staff

#### BBC channel returns to Asia-Pacific region

The BBC is returning to the Asia-Pacific region with BBC World, its 24-hour satellite news and current affairs channel, two years after being removed from Mr Rupert Murdoch's Star TV system based in Hong Kong. BBC Worldwide, the corporation's commercial arm, has signed a deal to broadcast from the US-owned Panamsat 2 satellite. Coverage by the satellite includes China, but because the BBC has leased digital capacity it is very unlikely that viewers in China will be able to watch. Digital satellite receiving equipment is not available. Raymond Snoddy, Consumer Industries Staff

#### Drug seizures by Customs officers reach records

Heroin seizures cers seized a record 55.6 Kilogrammes tonnes of drugs in England and Wales last year while the police than 2,000 people on drugrelated charges. The

Source: Customs & Excise

drugs included 52.5 tonnes of cannabis, more than I tonne of beroin and 500 kg of Ecstasy. The largest increase was in heroin use, which jumped

Customs offi-

from 620.5kg in 1994 to 1,117.5kg, a rise of 80.1 per cent. Mr David Heathcoat-Amory, minister responsible for Customs, said all amounts were records for a single year and the drugs would have realised a total street value of £457.6m. He also said that the department was restructuring its anti-drug operations. Mark Suzman, Public Policy Staff

#### Daewoo may open factory in Northern Ireland

Daewoo, the South Korean industrial conglomerate, has linked with Texas Instruments of the US for a possible \$1bn semiconductor investment in Northern Ireland. Daewoo is understood to be talking to a number of regional development agencies in the UK and Ireland as part of its strategy to localise its manufacturing and marketing in Europe in the rapidly growing semiconductor market But Northern Ireland is understood to be the frontrumner, with a number of Korean companies already established in the province. The Daewoo-Texas Instruments project would be the first big chip plant in the province.

John Murray Brown, Dublin

# Forbes idea is still in the race

of the race for the Republican presidential nomination. But his idea for a radical reform of the tax code and the introduction of a single rate of income tax is unlikely to go away. His programme would mean

sweeping away all reliefs and tax breaks except for a genersus personal allowance, and then levying US federal income tax at a single rate of 17 per The idea was originally put

forward by Robert Hall and Alvin Rabushka, two Stanford University academics, in a book entitled The Flat Tax. Since then it has been endorsed with varying degrees of enthusiasm by Bob Dole, the clear frontrunner for the Republican nomination. Newt Gingrich, speaker of the House

some leading Democrats. In the US, it appears to be an idea whose time has come. There is an equally strong case for a flat-rate tax in the UK, even if the chancellor who introduced it insisted on being cautious with its initial effects

of Representatives, and even

on public borrowing. It would be possible to change to a flat-tax regime without reducing tax revenue by setting the rate at an initial 23 per cent and permitting an indexed-transferable allowance of £5,000 per person. All other expenditures, exemptions and reliefs allowable against income tax would be abolished. Most income taxpayers would gain something from such a move, even those who currently pay tax only at the

#### Conservative MP Nigel Forman on the rate at which a flat tax could be implemented in Britain

larger allowance.

nue neutrality. There are several strong

much greater simplicity. At

tax rates and at least 30 reliefs and exemptions

their own tax calculations. The second advantage would be greater efficiency and cost-

be less incentive than at present for relatively wealthy individuals to go legitimately to great lengths to avoid tax. The third advantage would be the enhancement of the

tax system. The simpler the system, the more likely we are to attract and retain mobile and enterprising individuals who

the opportunities for economic and social engineering by ministers, often at the behest of importunate interest

Such opportunities have been taken by chancellors of both main parties seeking, via mechanisms of tax relief, to Commons Treasury committee.

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and forms of social behaviour. It is widely recognised that such manipulation of the tax system has narrowed the tax base, created economically barmful distortions and led range of decisions on the basis of how best to minimise the

Moreover, as long as the personal allowance is pitched at a high enough level, lower income taxpayers would continue to enjoy significantly lower average rate of tax than higher income

A flat-tax regime organised along these lines would, in short, offer British taxpayers a fairer system of income tax in which greater attention was paid to the effective rate of tax rather than to marginal rates.

would, nonetheless, be highly controversial in the UK. The scope of such a reform would, therefore, need to be bold and radical for politicians and the public to be convinced that the game was worth the candle. To give it the necessary

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The author is Conservative MP for Carshalton and Wallington and a member of the House of

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### Mr Steve Forbes, the US publisher, may have pulled out

20 per cent rate. This is result in lower Inland Revenue because the increase in their overheads and reduced privaterate would be offset by the

If tax relief on employers' contributions to pension schemes and on investment income in pension funds were also abolished, a further £8bn would become available with which to cut tax below 23 per cent without sacrificing reve-

arguments for moving to a flattax system. The first advantage would be

At present, there are three income

present, there are three income tax rates and at least 30 reliefs and exemptions. The planned introduction of income tax selfassessment in 1997 means a move to simplify the present system would be timely and helpful to individual taxpavers faced with having to make

effectiveness. A simplified

income tax structure would

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sector compliance costs.

There is, moreover, a high probability that more tax revenue could be raised from a flattax regime than from the present system, riddled as it is with tax shelters and economic This is because there would

UK's competitive position in the global economy. With growing competition between different tax and regulatory iurisdictions, it is in the UK's interests to have a simple and attractive income

might otherwise decide to create wealth and jobs elsewhere. The fourth advantage would be a significant reduction in

amount of tax they pay, rather than other more positive considerations.

Proposals for a flat-tax rate

legitimacy, the idea ought to be put in the next

parliament.

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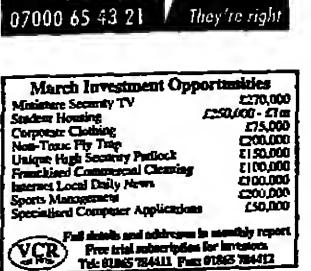
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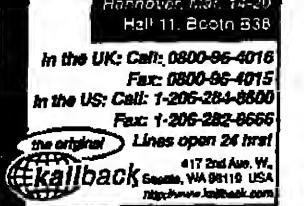
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them: ICIL7(Boprodiga.com

expertise with Arup's analytical

skills to produce the models using

finite element analysis, one of the

most important computer simula-

At first glance, the approach

looks to be a distinct second best to

simulating a human being. But the

crash test regulations are framed in

terms of dummy responses, because

it would be impractical to calibrate

human beings for this purpose. As a

result, it is correlation between the

computer simulation and the

dummy behaviour which the car

dummies have been developed

before, but everybody's is different," says Parker. By using the new

"Some crude computer models of

child dummies.

ical versions are very complemen-

lated dummies as an opportunity

rather than a threat to their physi-

cal counterparts, as they will have

The simulations will be used at

the early stages of the design pro-

cess, he says. They could be used to simulate how the airbag functions

before any parts have been built.

Real testing would be reserved for

later design stages as the vehicle

play an important part in reducing

the cost and time associated with

new vehicle development. At pres-

ent, a car manufacturer will build

many prototypes and pre-produc-

tion vehicles to validate a new

design before committing to produc-

tion. Of these, 30 or 40 will be crash-

tested - and some of them will have

been hand-built at a cost of more

lessons learnt from simulating the

present range of crash-test dummies

will be used to develop the next

generation of physical dummies.

Meanwhile, he says, simulation can improve the quality of the current

FTSS range by offering a way to

measure the dummies coming off

the production line against their

Looking ahead Parker thinks the

than \$1m (£600,000) each.

computer equivalents.

The simulated dummies could

moves towards production.

tion tools.

# Computer's dummy run

fter years of being driven into walls to satisfy car industry designers and safety regulators, crashtest dummies are to get new "virtual" playmates.

A family of computer-simulated dummies is about to hit the streets. metaphorically speaking, as a result of a link-up between Michigan-based First Technology Safety Systems, the world's largest producer of crash test dummies, and Ove Arup, the UK engineering consultancy.

Both companies stress it is not the end of the road for the traditional crash test dummies, which have been painstakingly developed by a traditional craft industry over the past three decades.

But the development does represent the removal of one of the last barriers to computer simulation in the automotive industry, which has already enabled engineers to predict and develop everything from noise levels to crash performance before the first prototype has been built.

Consequently, the new virtual family is being viewed with considerable interest in the car industry. says John Miles, Arup's director with responsibility for advanced technology activities. Car designers will be able to pick up a standard file of a dummy from their computer file library just as they would for parts of the car, says Muir Parker, chief executive at UK-owned

Already, the performance of parts such as airbags and seat belts can be simulated on computer, but crash test dummies are one of the most complex structures to model. They are made of steel, aluminium,

Tiewed in reverse, the task of simulating a car crash is similar to that of capturing on computer the "collision" between a custom-built tool and a

steel sheet to form a pressing. Making the tooling that shapes the steel is perhaps the most important traditional craft left in the motor industry. Getting the shape right without wrinkling the steel relies on decades of knowledge.

This works well for most of the 200 different pressings needed for the average car body, but a few can take much longer, says Miles. Failure to get it right first time can add to the cost of toolmaking - \$30m-\$100m (\$20m-\$65m) for each model - and also hold up production. But experienced toolmakers are

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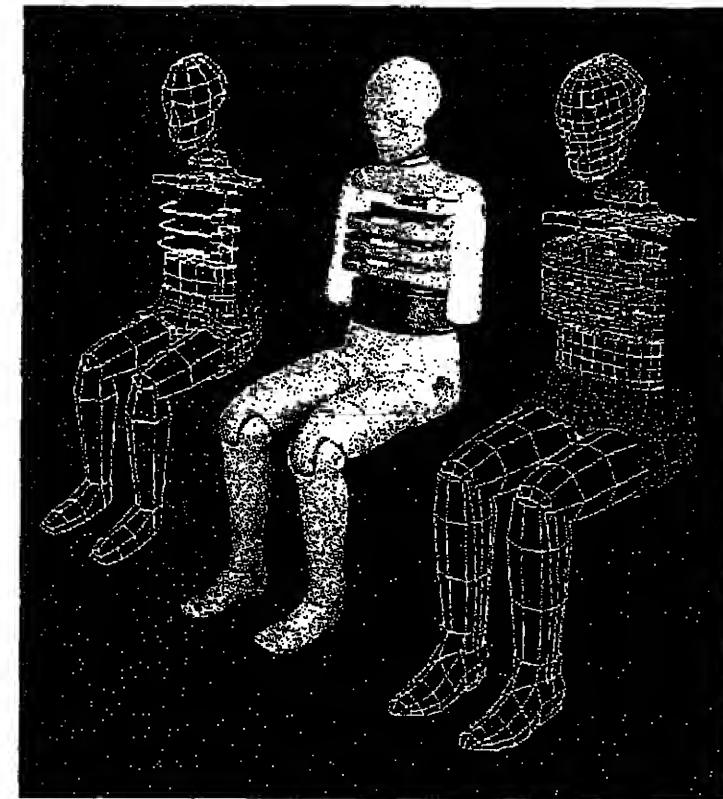
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Sitting pretty: EuroSid-1 seated between two electronic simulations

vinyl, rubber, foam and shock absorbers, and the behaviour of each of these materials in a crash has to be accurately described to the computer so that the response of the whole dummy can be calculated and analysed. The soft materials are particularly complex because they behave differently at

different speeds. Months of painstaking work is required for testing the dummy components to ensure the simulation is accurate. The head, for example, is dropped on to a steel

standard family, the variability introduced by 'getting someone down the street to design a software dummy for you" will be reduced, he

industry requires.

Simulating the occupant - or at least a dummy - will also allow calculations of the effects of a crash to be made on the person, says Tim Keer, Arup's project manager. rather than on the car as happens currently. "You would be able to say that the driver's ribs have been compressed by 30mm, rather than that the impact on the car was a 4in

Before their association with FTSS. Arup had already designed a simulation of EuroSid-1, the new European side-impact dummy. This was done for a US/European/Japanese consortium of companies led by the UK Transport Research Laboratory.

Arup's first computer models for FTSS will be the small, medium and large person front-impact dummies

#### Anti-whiplash firmly seated known as the Hybrid III family. These are due to be available by this summer, and the intention then is to extend the virtual family into he next generation of FTSS's side-impact dummies and

Sweden's Saab cars are planned as the first to be Keer says it is inconceivable that fitted with an "active" headrest the car industry would move exclusystem designed to prevent whiplash injuries to the neck in a sively to computer-simulated crashcollision. Such injuries are among testing, but the simulated and physthe most common in road accidents. usually arising from a rear-end tary. Parker, too, views the simu-

> Developed jointly by Saab and Delphi Automotive Systems, the components subsidiary of General Motors, the system is entirely mechanical and should not have to be replaced or repaired after an

> Saab is 50 per cent owned by General Motors, which also has management control, and the system is seen as a useful extra marketing tool, as well as a genuine safety advance, in GM's efforts to revive the Swedish company's sales fortunes.

While the system is expected to make its debut next spring, in the successor to Saab's 9000 range, GM is also planning to introduce it into high-volume European models such as the Opel/Vauxhall Vectra soon afterwards.

Because it is safety-related the system, called Pro-tech, will be made a standard fitment on all new Saab cars, although it is not yet clear how it will be introduced into

Opel/Vauxhall ranges. It works through a simple lever mechanism linked to a pressure plate hidden in the seat backrest. During a rear-end collision, for example, the driver's body is thrust against the pressure plate, forcing the head restraint upward and

forward against the head to prevent whiplash movement. It is designed to activate when forces exceed the equivalent of hitting a concrete barrier at 9 to 11 miles per hour. It returns automatically to the "passive" position.

The concept provides another example of the heightened priority that vehicle makers have been giving to safety aspects of cars since the early 1990s, and which has resulted in the virtual standardisation of door anti-intrusion bars and driver's airbags in cars in current

production. "The old idea that 'safety doesn't sell' is dead," says Saab. To complement the anti-whiplash seat Saab, like most other carmakers, is also exploring the provision of airbags to protect against side

impacts. Nor is the current preoccupation with safety expected to fade; not least because it is on the agenda of the Paris-based Federation Internationale de l'Automobile. which covers most of the world's motoring associations and interest

Historically best-known as the governing body for world motor sport, under president Max Mosley, it is being developed into a research and lobbying organisation on behalf of motorists, with safety issues at the top of the agenda. New EU crash safety barrier tests approved in Brussels last month for example, are being introduced sooner than the motor industry may have wished, primarily under pressure from the FIA.



## Capturing craft skills

plate and the responses measured

and compared with the model. The

process combines FTSS's dummy

retiring, and the apprentice schemes for training replacements are largely a thing of the past. The way ahead, says Miles, is to capture the toolmaker's skills in some form of "knowledge base" and then supplement this with computer simulation to belp the next generation of

tooling engineers. Toolmakers know enormous amounts about what happens to steel when the tool hits it. But the knowledge comes from looking at the end result, while a computer simulation can show the process as

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that simulation is a rather specialised and computer-intensive activity. Skilled toolmakers do not have the time to become computer wizards. Removing the obstacle requires the mystique of supercomputing to be dispelled and replaced with a user-friendly, design-oriented package running on a PC. Such a product was developed

recently by Toronto-based Forming Technologies (FTI). Its PC-based system, FTI Case, has been taken up by North American, East Asian and European manufacturers. Last year, Arup and FTI decided it occurs. An obstacle, however, is

to evaluate the potential for running their systems "back to back". Working in Detroit with Binderline, a US tooling designer, and Cray Research, the supercomputer manufacturer, the team set to work simulating the formation of one of the most difficult pressings they could find - a pair of wheel arches. shaped back to back and produced

on one steel sheet. The system works with the supercomputer acting as a "big gun" behind the scenes, says Miles. The toolmaker's PC software would pass on a particularly difficult

problem to the supercomputer, which would send the answer back via the PC. Arup hopes the approach will find widespread acceptance within

the industry. Most of the leading carmakers already have supercomputers and the simulation software, LS-DYNA3D, is a prerequisite for crashworthiness engineering in any case. So the additional investment would be minimal.

Independent toolmakers would. naturally, borrow time on a supercomputer rather than having to buy one. But, based on past developments in computer power, even the toughest tooling problems could be handled on a PC or workstation by the end of the century, Miles predicts.

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# Whiplash "Conceptual" rules the Waves

William Packer on the opening Visual Arts UK exhibitions

isual Arts UK is an ambitious festival of art, old and new, indoors and out, which is taking place across the north of England, from Cumberland to Durham, between now and November. It will include treats as various as the first of the 100 Cumbrian "Sheepfolds" that Andy Goldsworthy hopes to remodel in time for the millennium, and the return of Velasquez' "Rokeby Venus" to the North for the first time since the National Gallery bought it in 1905.

TEEDDAY MARCHINIO

The coast-to-coast "Sustrans Cycleway", with its commissioned sculptures to mark the way, is to be extended. The National Trust's Foundation offor Art has put a carving by Peter Randall-Page on the shore at Derwent Water. David Mach is to build a brick railway engine at Darlington as a steam age memorial. There is to be much, much else.

To Many

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So far, so good. With the Yorkshire Sculpture Park and Grizedale Forest now long established, the North of England is hardly stranger to the idea of putting sculpture into wild and natural places. In this particular respect, there is little controversial or minatory in the programme of Visual Arts UK, much that will be readily accessible to a general audience. But clearly the early March weather was too unbiddable, and a gabble of critics thought too delicate, for such a prospect. Safer by far, on a cold wet northern day, to mark the opening view with gallery shows in Sunderland and Newcastle.

But suddenly doubt creeps in, for here is work presented in an oddly authoritarian fashion by those who truly believe they know what is the best, the most significant art of the day. It is there not simply for us to take or leave as may be, but already bought on our behalf. The Contemporary Art Society is an admirable private

institution that has been giving works of modern art to public galleries for over 80 Years. The Arts Council is the Arts Council, the Tate the

aniel Defoe, among his

many achievements, wrote

Tate. The first two appoint panels of independent buyers year by year, the Tate has its trustees. And do we still get that independence of interest and judgment which was the informing principle of the sys-

No. What we do get is the narrow academicism of avant-garde relevance and radical experiment, that fatuous and blinkered righteousness that elsewhere apparently would wish to remove the Royal Academy from its constituency in its Summer Show.

based work. socio-political work, body work, conceptual work, high ideas, pretension. Colin Nicholas (CAS) has four upright plastic tubes decorated crisply, with the aid of masking-tape, brown, blue, violet and orange. Lately, he tells us, "my studio practice has been exclusively concerned with the investigation of colour-relationships on 3-D surfaces (plastic tube). The medium is acrylic and the visual exploration of its handling is a central concern. The works are abstract and seek to establish a visual resonance which distances the industrial pre-formed section from our knowledge of its utilitarian context." Indeed. There are, of course, many

among the conceptuals - Tony Carter's elegant bottle sequence (CAS), for example, Richard Wentworth's Siamese buckets (Tate), and Cornelia Parker's garden shed and contents, blown up by the Army and every piece hung on its thread from the ceiling (Tate) in a darkened room. There is good, if more orthodox, sculpture from Bill Woodrow and Grenville Davey (CAS), and good abstract painting from Bridget Riley (CAS), Ian Davenport (AC), Callum Innes (CAS), Basil Beattle (CAS, AC) and Gillian Ayres (AC, Tate). The craft too, fine craft as we must call it, is full of interest, from the black wooden bowls and benches of Jim Partridge (CAS. Crafts Council) to the

things worth having, even



Magnificent exception: 'Standing by the Rags' by Lucian Freud, from the Tate Gallery collection

ceramic sculpture figures of Philip Eglin (CAS, CC). With the magnificent exception of Lucian Freud (Tate), by now safely beyond all curatorial question, what is markedly absent is anything founded in direct observation of the visible world. For the rest, we have only the expressionist

response of an Auerbach (Tate)

or Creffield (CAS), the narra-

tive compilations of Kitaj (Tate) or Doig (CAS), or the increasingly banal and selfcelebratory life-cast figuration of Antony Gormley (Tate).

Simon Lewis paints preciously tiny landscapes (CAS) that any larger would be quite unremarkable. These, we are told, "are references to actual places the artist visits...where he makes draw-

Academy Summer Show. Take It From Here - Contemporary Art Society Purchases 1992-95: Sunderland Museum & Art Gallery, City Library and the Vardy Gallery at the

ings and photographs." What-

ever next. Roll on the Royal

University of Sunderland until April 13: sponsored by Art Services Ltd. New for the Nincties

East Coast Railway. ert-island beach, the wordless African chanting of Patrice Najambana as Friday, the ghastly laughter of Selma Alispahic as Susan's maybe daughter, the cuter-than-thou tricks of Marcello Magni as Foe's scoundrelly servant Jack, the thunderously amplified shutting of unseen London doors. The amount of flashily prolonged scream-

The Crafts Council Collec-

tion: Shipley Art Gallery,

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until April 13, then on tour.

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I will say one thing for Foe: it has left me longing to read a Defoe biography, to read some of the Defoe I have never read, and to re-read the three classic Defoe novels. Razana. have believed for some years, is the most neglected and underrated novel of the 18th century.

ing in both both acts beggars belief.

Foe is performed at the Courtyard Theatre. West Yorkshire Playhouse. Leeds, until March 30. In April, it visits Oxford, Blackpool, and Brighton. From April 24 to June 1, it will be at the Young Vic, London; it then tours to Denmark. Germany,

#### Concerts in London

## Russian nights

flush of perestroika. Russian music still has a high profile in the west. Younger musicians such as Valery Gergiev and Mikhail Pletney have shown an unflagging determination to keep up the momentum - a fascinating case of socialist investment in the arts bursting into life when it meets capitalist freedom of trade.

Pletnev is back in London for a couple of weeks as guest conductor with the Philharmonia. Having first made his name as a pianist, Pletnev founded his own orchestra (the Russian National) in 1990 and now fits in an extensive schedule of conducting a range of European orchestras with his other interests. Everything suggests an organised mind, which his conducting style reflects - clear, sharp, decisive signals asking for disciplined playing to match. The performances in the first

of his three London concerts with the Philharmonia always had technical precision as an objective, even when there were untidinesses on the way. Compared with the Russian conductors of the generation above him, Pletnev is a different kind of musician: not genial or effusive like Rozhdestvensky or Rostropovich, not histrionic like Mravinsky and Svetlanov. Each of those in his own way has worn his heart on his sleeve, whereas Pletnev's music-making is about strict control, both emotional and otherwise.

The programmes which he has with the Philharmonia are exclusively Russian (that is Pletnev's selling-point and either he or the orchestra is sticking to it). This first concert included characteristically brisk and alert performances of Tchaikovsky's Third Orchestral Suite and excerpts from Prokoflev's Romeo and Juliet, the latter as vividly characterised as any fully-staged ballet

could make it. Despite a driv-ing sense of urgency, Prokofiev's Alexander Nevsky wanted the last ounce of concentration to make it gripping. The Philharmonia Chorus found itself overpowered by the orchestra, but Irina Tchistjakova was just the deep Russian mezzo the work asks for. Two nights later the BBC

Symphony Orchestra followed on at the Royal Festival Hall with a concert featuring two truly massive Russian scores. When he was commissioned to write his Second Symphony by the BBC in 1978, Alfred Schnittke must have been told that money was no object. The inspiration for the symphony came from the composer hearing a small choir singing evening mass in Bruckner's church near Linz. In Schnittke's version a similar mass is heard in the distance (the vocal group Polyphony) while a huge orchestra comments on each movement in turn.

After the emptiness of his recent works it is a jolt to be reminded how complex, and sometimes beautiful. Schnittke's earlier music could be. The BBCSO under Dmitry Kitaenko played up the shat tering extremes of the symphony to their maximum, though the doubt always lingers that Schnittke's eye for scale was bigger than his inspiration. Kitaenko was then joined by the London Symphony Chorus for Bruckner's Te Deum and Scriabin's extravagant Poem of Ecstasy. Twoand a half hours on, the audience had certainly had its money's worth. Is there anybody now other than the BBC who could contemplate such an

#### Richard Fairman

ambitious undertaking?

Philharmonia concert sponsored by Motorola. Pletney and the Philharmonia at the Royal Festival Hall again on

basic building blocks of Lloyd's

music are much less interest-

ing. His harmonic language is

often rudimentary and his mel-

odies predictable, with neither

the valedictory quality of a

Finzi or the sublimated eroti-

cism of a Howells. His greatest

asset lies in his superb han-

dling of the orchestra. Grateful

to play, thrilling as sound

(particularly the brass), its rich

dressing merely highlights its

musically unmotivated rheto

ric, nowhere more so than in

the rather turgid unaccompa-

nied choral writing of the med-

Pernaps the musical content

of A Litany would have

emerged more strongly if it

had not been programmed

alongside Elgar's moving, final

large-scale choral work. The

Music Makers. Hilary Davan

Wetton, the choir's musical

director since 1968, conducted

a well-prepared account, faith-

ful to the letter of the score but

missing the authentic Elgarian

all his music's other draw-

itative third movement.

## George Lloyd

Music establishment. George Lloyd emerged into public life during the 1970s after a period of self-enforced silence. On Saturday at the Royal Festival Hall, as hale and hearty as a man half his 83 years, he conducted an inspiring first performance of his newly composed setting of verses by John Donne, A Litany, with the Philharmonia Orchestra and one of the indispensable upholders of an endangered but vital British musical tradition, the Guildford Choral society, whose commission it was.

Both those who love and hate Llovd's music in our knowing, post-modern age will not have been disappointed: A Litany celebrates the English choral tradition as confidently as any similar work by Parry. Elgar, and Vaughan Williams. If this poses a problem, it is worth remembering that he conducted his First Symphony two years before the deaths of Elgar, Delius and Holst, composers who would find little in his music that was unfamiliar. and that if his composing career had followed its natural course without interruption we might more easily accept his claim as their natural successors alongside composers such as Finzi or Howells. Even so, it must be said the

ėlan. Catherine Wyn Rogers proved an eloquent, touching soloist, best in her moments of reflection, but somewhat overwhelmed when pitted against full choir and orchestra, a problem of balance which, for

backs George Lloyd would have been well able to solve. **Antony Bye** 

## Theatre/Alastair Macaulay

#### The woman behind Crusoe two of the first classic novels about women. The heroines of Moll Flanders and Roxana 1990s, she won two best-actress the creative process to a high degree. Barton, who claims to be her daughter. (This refers to a key part of Roxbehave with the authority of authors,

are not just far more realistically shown than most other women shown in the novels and plays of the late-17th or 18th centuries, they are also remarkably modern. They do not live for love, they have considerable independence of mind, and they keep reinventing themselves in their pursuit of liberty and happiness. black, while toying modishly with the But so what? Defoe still sinned in relationships of art and life, of silence two important respects: he was white, and speech, of fact and fiction. And it is Foe that Théatre de Complicité has

and he was male. J.M. Coetzee's 1986 novel Foe reminds us that "Foe" was Defoe's original name, and it pretends that his original source for Robinson Crusoe (also a part-inspiration for the subsequent Roxana) was a woman called Susan Barton, who as a castaway shared "Cruso's" island and made it to London, after Cruso's death, with the voiceless Man Friday. In London, she meets another Susan

ana.) Susan is Foe's muse, she tells him: and the muse was never drearier or more bedraggied. Or more p.c.: Foe makes redress at one and the same time to the obliterated female voice and the deracinated and silenced

adapted in its latest production. Complicité is the least British and most European of our theatre companies. Its use of physical and vocal intensity is, even after several years, exotic and, on occasion, refreshing. Sound and design are fluently incorporated into the action; and the pernot interpreters. In the case of Foe, which is all about the nature of authorship, this might be highly

Might be, but in the event is not. Complicité is a broad enough church to include several different stylists (in 1994-95 two separate Complicité shows ran at the same time). Foe, unfortunately, includes the worst of them. It has been adapted for Complicité by Mark Wheatley, and co-directed by Annie Castledine and Marcello Magni. And, at the centre here, as Susan Barton, is Kathryn Hunter.

Hunter is so vivid and peculiar stage personality, so assured and mannered and gutsy a performer, that you can easily see why, earlier in the formers, because they are involved in

awards for performances with Complicité. And yet, as Foe reveals only too plainly, her acting is as terrible as it is striking. Her style here has become florid - with a lexicon of more grand gestures in one show (sometimes in one speech) than the Comedie-Francaise would employ in ten, and with her chesty nightmare voice flamboyantly rising and dipping and vibrating in every line. She reveals no inner life, and everything she does is wholly concerned with external effect.

the worst feature of Complicité style; (b) the basic flaw of Foe; (c) the most gruesome sin of much bad old European acting. Everything in this production is turned into mere effect: the amplified crashes of waves of the des-

In this last respect, she reveals (a)

and Switzerland in June.

Conducted by Alexander Sander

Opera. Soloists include Emily

(6.30pm)

CONCERT

**PARIS** 

8,30pm; Mar 21

Mar 20, 23, 25

THEATRE

**OPERA** 

and performed by the New York City

Golden, Elizabeth Hollegue, Nancy

Allen Lundy, Julia Anne Wolf and

Catherine Kelly; 8pm; Mar 20, 26

Salle Gaveau Tel: 33-1 49 53 05 07

Ludwig Quartet: with pianist Noël

Lee and barttone Laurent Naouri

Emmanuel, Hahn and Poulenc:

Théâtre de l'Opéra Comique

Il Barbiere di Siviglia: by Rossini

Conducted by Stefano Ranzani and

Jean-François Vinciguerra, Roberto

de Candia, Réda El-Wakil, Nadine

Chéry and Olivier Heyte; 7.30pm;

Théâtre National de Chaillot

Savannah Bay: by Marguerite

Duras. Directed by Jean-Claude

Casadesus and Martine Pascal; Tue

- Sat 9pm, Sun 4pm; from Mar 20 to

Arnyl. The cast includes Gisèle

Tel: 33-1 47 27 81 15

performed by the Opéra Comique

and the Ensemble Orchestral de

Paris. Soloists Include Josef

Kundiak, Katarina Kameus,

perform works by Jolivet,

Tel: 33-1 42 44 45 46

examines the careers of the American artists Leon Golub and Nancy Spero. Together since meeting in Chicago in the 1950s, they have individually produced uncompromising visions of the human condition. The exhibition

looks specifically at their representations of war which for Golub have appeared as large scale, aggressive paintings and for Spero as delicate drawn, collaged and printed works; from Mar 20 to Jun 3

#### VIENNA **OPERA**

Wiener Volksoper Tel: 43-1-514442960 Carmen: by Bizet. Conducted by Cornel Trailescu and performed by the Wiener Volksoper. Soloists include Ruxandra Donose, Kurt Schreibmayer and Georg Tichy;

#### **■ WASHINGTON**

CONCERT

Opera House Tel: 1-202-416-4600 Conducted by Richard Bradshaw

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CNBC:

09.00 Squawk Box 10.00 European Money Wheel Nonstop live coverage until 15.00 of European business and the financial

markets

18.00 Financial Times Business Tonlaht

INTERNATIONAL GUIDE

## ■ AMSTERDAM

CONCERT Concertgebouw

Tel: 31-20-5730573 Radio Filharmonisch Orkest: with conductor Ion Marin and violinist Anne Akiko Meyers perform works by Sibelius and Stravinsky; 11am;

#### **ANTWERP**

Mar 24

EXHIBITION MUHKA - Museum van Hedendaagse Kunst Tel: 32-3-2385960 De Verzameling: exhibition of

Ma. collages by Marcel Broodthaas, sculptures by Jan Verkruysse, and drawings and installations by Mark Manders; to Mar 24

#### **BERLIN**

CONCERT Konzerthaus Tel: 49-30-203090 Trio Fontenay: perform

Beethoven's Piano Trio in C minor, Op. 1 No. 3, Piano Trio in 8 flat. Op. 97, and 14 Variations in E flat,

#### Op. 44; 7.30pm; Mar 21 **OPERA**

**Deutsche Oper Berlin** Tel: 49-30-3438401 André Chénier: by Giordano. Conducted by Rafael Frühbeck de Burgos and performed by the Deutsche Oper Berlin. 7.30pm; Mar Metropol-Theater

Tel: 49-30-202460 Der Bettelstudent: by Millöcker. Conducted by Günter Joseck and performed by the Metropol-Theater Berlin: 7.30pm; Mar 20

#### BREMEN EXHIBITION

Kunsthalle Bremen Tel: 49-421-329080 Max Liebermann, der Deutsche Impressionist: the central theme in the works by the German artist (1847-1935) is his development from realism to impressionism; to Mar 24

#### **BRUSSELS**

Théâtre Royal de la Monnaie Tel: 32-2-2291200 La Calisto: by Cavaili, Conducted by René Jacobs and performed by La Monnaie; 7.30pm; Mar 20

#### **CAPE TOWN**

EXHIBITION South African National Gallery Tel: 27-21-451628 Danish Contemporary Art: works by six contemporary Danish artists whose style is predominantly abstract. They are the painters Don's Bloom, Claus Carstensen, Jesper

Christiansen and Dorte Dahlin, and

#### the sculptors Soren Jensen and Olivind Nygard; to Mar 24

CHICAGO CONCERT

Chicago Orchestra Hall Tel: 1-312-435-6666 Symphony No. 6: by Mahler. Performed by the Chicago Symphony Orchestra with conductor Michael Glelen; 8pm; Mar 21, 22, 23, 26 (7.30pm)

#### **HAMBURG** CONCERT

Musikhalle Hamburo Tel: 49-40-346920 Cleveland Orchestra: with conductor Christoph von Dohnányi perform R. Schumann's Symphony No. 1 and Stravinsky's The Firebird; 7.30pm; Mar 22

#### **LAUSANNE** EXHIBITION Fondation de l'Hermitage

Tel: 41-21-3205001 Cartier, Splendour of Jewellery: items from the Cartier Collection retrace the evolution in the Cartler style; from Mar 22 to Jun 16

#### **LISBON**

DANCE Grande Auditório da Fundação **Gulbenkian** Tel: 351-1-7935131 • The Ballet Gulbenklan: perform Benvindo Fonseca's Para que a terra nao esqueça to music by Gorecki, Rui Pinto's Ordem e Desordem to music by Zazou, Barbara Griggi's Toujours Cassandra to music by Marcello, and Clara

#### Andermatt's Quatro Arias de Opera; 9.30pm; Mar 20

**EXHIBITION National Portrait Gallery** 

**LONDON** 

Tel: 44-171-3060055 The Lure of the Limelight -James Abbe, Photographer of Cinema and Stage: the first major retrospective of the work of Abbe (1883-1973), best known for his leonic portraits of stars, including

Louise Brooks; to Mar 24

**EXHIBITION** 

Rudolph Valentino, Lillian Gish and

**OPERA** Royal Opera House - Covent Garden Tel: 44-171-2129234 The Rake's Progress: by Stravinsky. Conducted by Mark Wigglesworth and performed by The Royal Opera; 7.30pm; Mar 21

#### **LOS ANGELES**

**MOCA at California Plaza** Tel: 1-213-626-6222 Sigmar Polke Photoworks: When Pictures Vanish: this retrospective of Polike's photography-based works examines the critical role that photography plays in his larger ceuvre and encompasses 120 pieces from the mid-Sixties to the present, including the key series "Paris, Afghanistan, Pakistan" and "Goya, the Old Women", and a new group of 63 works; to Mar 24

#### ■ NEW YORK

**OPERA New York State Theater** Tel: 1-212-875-5570 Der Rosenkavalier: by R. Strauss.

#### Mar 31 (Not Mon) VANCOUVER

EXHIBITION Vancouver Art Gallery Tel; 1-604-682-4668 Leon Golub and Nancy Spero:

War and Memory: this exhibition

#### 7pm; Mar 20

Terrace Theater Tel: 1-202-467 4600 Guarneri Quartet; with violinists Amold Steinhardt and John Dalley, viola-player Michael Tree and cellist Davis Sayer perform Beethoven's String Quartet in A minor, Op. 132 and String Quartet in C major, Op. 59, No. 3; 7.30pm; Mar 20 **OPERA** 

 Cosi fan tutte: by Mozart. and performed by The Washington Opera. Soloists include Pamela Cobum, Jan Grissom, Delores Ziegler, Richard Croft and Jerry Hadley; 8pm; Mar 20, 22, 24 (2pm) not have the tools fully to ana-

lyse the implications - in

important respects, we still do

not - he had brilliantly identi-

fied the principal problem, both for understanding and

He concluded that the right

response was to adopt discre-

tionary monetary and fiscal

policies. But the obvious way

for governments to reduce the

uncertainty inherent in a mar-

ket economy must be for their

own actions to be as predict-

able and transparent as possi-ble. The Treasury opponents

against whom he argued dur-

ing the 1920s and 1930s under-

stood this, which is why they

believed it would be best for

sterling to be put back onto

The dilemma remains today,

since a rule-governed mone-

tary system has not been

established In particular, the

attempt to rely on a rule for

the rate of monetary growth

has proved unworkable.

Money, being created by the

market, is simply not a precise

and targetable quantum.

the gold standard in 1926

decision he condemned.

for policy.



Join Maynard (Lord) Keynes

died almost 50 years ago, on

April 21 1946. For a little more

than a quarter of a century

after his death the influence of

his ideas grew, until even

Richard Nixon declared "we

are all Keynesians now". The

US president was right,

though not for long. The great

inflationary fire of the 1970s

consumed naive Keynesianism

cal policy to expand real

demand and secure full

employment. It cannot be

revived. But Keynes's concern

with how best to manage a

vital today as 50 years ago.

market economy remains as

Robert (Lord) Skidelsky, the

distinguished biographer of

Keynes, argues in a lucid

short study of his life and

influence (Keymes, Past Mas-

ters, Oxford), that naive

Keynesianism was the guiding

creed of economic policy for

only a little over a decade.

roughly as long as the mone-

tarism that followed. Its

worldwide dominance began

with the accession of John

Rennedy to the US presidency

in 1961 and ended with the

first oil shock in October 1973.

Lord Skidelsky asserts persua-

sively that it was because

Keynesianism failed in its

desire to make "the world safe

for capitalism and capitalists".

It was destroyed by its identi-

fication with "a disproportion-

ate growth of the public sector

accompanied by growing

labour militancy". As a result,

naive Keynesianism gave

birth to the four horses of its

own destruction - inflation.

dirigisme, fiscal hypertrophy

The destruction of the value

of money was the principal

long-term bequest of the

Keynesian era. It was 30 years

after the death of Keynes

before naive Keynesianism

was abandoned, a period during which the British level of

consumer prices rose by about

450 per cent (see chart). Such

inflation was unprecedented

in British economic history.

The cost of eliminating the

resulting inflationary psycho-

and short-termism.

Why was it so short-lived."

- the use of discretionary fis-

**Martin Wolf** 

# Problems of uncertainty

Naive Keynesianism is dead. But the legacy of Keynes remains relevant to policymakers struggling with the difficulties of managing market economies

logy, still not fully achieved. has been horrifyingly high in terms of recessions and unem-

To sustain "full employment" when inflation was accelerating, governments turned to controls on prices, wages and profits. Such interference was partly justified by the belief that incentives and competition were of little importance: full employment and growth could be secured by expanding demand.

This lack of attention to incentives was particularly marked in the indifference of Keynesians to the malign effects of rising taxation and public spending. It was exacerbated by the shift in the focus of policy debate away from long-term performance to what would happen to activity over the next year or two. While the depression did indeed require urgent remedies, his statement that "in the long run we are all dead" gave a green light to the generation of short-termists.

These were grievous faults but Lord Skidelsky carefully distinguishes the more circumspect attitudes of Keynes from the excesses of his disciples: "First, although he was intellectually over-confident a trait inherited by his follow-

RPI. semi-log scale (1694=100)

Source Bank of England

ers - he was notably modest about what policy could achieve in a free society, something which his followers tended to ignore. Secondly, his social aims were, as he put it, 'moderately conservative'. There is nothing in Keynes's social philosophy ... which would have supported the seemingly relentless expansion of the welfare activities of the state which contributed so heavily to the fiscal crises of

the 1970s. Yet Keynes cannot escape all blame for the debacle. As Lord Skidelsky remarks, "the existing system was oligarchic and plutocratic, rather than democratic. The assumption that it would continue this way, with the addition of 'technical expertise', was the Achilles' heel of Keynes's political theory".

If much damage was done and Keynes himself bears a part of the blame, is his thought now no more than a historical curiosity? The answer is no.

Most obviously, modern macroeconomic theory started with his seminal work. An economist can now be Keynesian or anti-Keynesian, but not pre-Keynesian. Furthermore, the collapse of monetary targeting - Keynesianism's once

The great Keynesian inflation in historical perspective

Mapoleonic

Inghamin

triumphant successor - has led to renewed interest in his approach to policy. Prior to Keynes, informed

opinion held that governments should follow specific rules for monetary and fiscal policies such as the gold standard and balanced budgets. Keynes, however, was tempted by the idea of a discretionary policy, adjusted in the light of changing circumstances. This predilection derived from the most intellectually exciting aspect of his vision - his emphasis on pervasive uncertainty about the future and the consequent difficulty of securing co-ordination of the plans of millions of producers and con-

resources depends on how people react to their constantly fluctuating expectations of an inescapably uncertain future. At times of high uncertainty, for example, people will seek to hold their wealth in as liquid a form as possible. This is what money - a general reserve of purchasing power allows them to do. As they flee to money, the desired return on riskier long-term commit-

Keynesianism:

Second

world war

Publication of Keynezi General

Theory 1936

Nationalisation of Bank of England

and death of Keynes

depression

world war -1914-18 .

Sterling finally leaves -Gold Standard 1931

1929-32 -

sumers in a modern economy.

The best answer is to combine the necessary discretion with the required predictabilments will rise and investity, by delegating responsibilment shrink, perhaps collapse, bringing ruin in its wake. ity for achieving a target for While Keynes himself did inflation or nominal national income to an agency of government, the central bank. Keynes himself, who understood the dangers of inflation.

might have endorsed this solution in modern conditions, when governments are subject to such strong day-to-day political pressures. It is, in any case, Keynesian in the broadest sense - in being a practical response to the problem of pervasive uncertainty he had himself identified. It is Keynesian in another

sense, too. If policymakers manage to steer the economy between the rocks of high inflation and the whirlpool of depression, both equally destructive to social stability. they will also live up to his heroic assertion that economists are "trustees, not of civilisation, but of the possibilities of civilisation".

Marketing • Diane Summers

## When brands face the threat of cannibalism

Companies should be wary of making own-label goods at the expense of their well-known names

The Spanish appear to be losing their enthusiasm for buying branded goods. In 1991 81 per cent of Spaniards agreed with the statement: "It's best to buy famous brands because you can rely on their quality." By last year this figure stood at 68 per cent, having sunk in 1993 as low as 50 per cent.

As for Dutch consumers. their traditional scepticism about brands seems to be increasing: the percentage agreeing it is best to buy famous brands has fallen from 41 per cent in 1991 to just 34 per cent last year.

The startling decline in respect among consumers in the principal European economies for the big brand names over the last five years is highlighted in figures just published by the London-based Henley forecasting centre. In conjunction with market research company Research International, Henley gathers data each year on consumer behaviour and trends in Germany, the UK, France, Spain,

Italy and the Netherlands. The corollary of this declining respect for brands is the increasing regard in which retailers' own-brand or privatelabel goods are held in both Europe and, to a growing extent, North America. In Europe, own-brand sales have grown over five years by an average of 7.5 per cent a year at present prices, compared with 3.4 per cent for overall retail sales growth, according to Euromonitor, the international market research group. Meanwhile, in North America, Euromonitor finds that in the packaged food sector, for example, own-brand's share rose from less than 20 per cent of the market in 1990 to nearly 25

per cent four years later. Mr James Murphy, Henley associate director, sees a continued lack of consumer confidence, pressure on prices and the "shifting respect for emblems of authority" as contributory factors. Consumers begin to question why they are paying more for the benefit of a brand logo when own-brand versions may be just as good.

For those big brand manufacturers considering ownbrand production, there is unequivocal advice from Mr John Quelch, professor of marketing at Harvard Business School, and Mr David Harding, a director of strategy at consultants Bain & Company. In the Harvard Business Review they state: "Our recommendation to companies that do not yet make products for the ownbrand market is simple. Don't

Own-brand production that starts as a method of using occasional excess production capacity can end up cannibalising the main body of a company's branded goods.

They argue that any company making own-brand should answer three questions to get at the real economics of production: what is the true contribution from own-brand products; what fixed costs are attributable to own-brand production: and how much will the own-brand goods cannibalise the company's brands?

They demonstrate the point with the example of Consumer Corporation (not its real name). It found the contribution to fixed costs and profits from a popular food product was \$0.40 per pound for the national brand and \$0.23 per pound for the private label. So the company had to sell almost two pounds of the private-label product to equal the contribution generated by the sale of one pound of the national brand. Once cannibalisation had been taken into account, it decided that the risk outweighed the marginal reward and opted instead to invest more in the branded product.

Additional manufacturing and distribution costs, such as changing labels and packaging for each own-brand customer and holding stock for each account, should also be added into the calculation, as should the costs of maintaining separate sales relationships with retailers and "unproductive. use of management time in reducing conflicts" between the two sides of the operation. they argue.

For those companies which have already chosen the ownbrand route. Quelch and Harding recommend, as a first step in keeping operations under control, that an audit is carried out. "Amazingly, top-level executives at many companies do not know how much ownbrand business their organisations do," they say. Second, true profitability, on both a full-cost and marginal-cost basis, and the impact of private label in the individual sectors in which the company's brands

operate, should be calculated Finally, excess capacity should be closed, they say. "The option of shutting down unused capacity is almost never considered in the ownbrand debate. Yet in five categories, Consumer found that the profitability of manufacturing rationalisation (including exit costs) was superior to filling excess capacity with lowreturn private-label business."

they state. In spite of declining respect shown by consumers, Henley sees the brand as far from dead. The trick now seems to be for manufacturers to imitate the imitators: the brand producers must establish relationships with consumers as strong as those built by retailers such as J. Sainsbury in the UK and Albert Helin in the

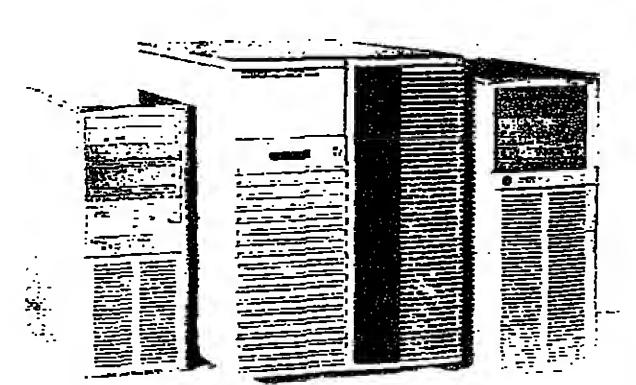
Netherlands. "No sector is immune from the threat of own-label," says Henley. Revitalising brands requires measures such as added services (for example, product advice), productfocused marketing campaigns, continuous innovation and dialogue with consumers.

Frontiers Unit. Henley Centre 44 171 353 9961. Private Label in Europe; Pri-

vate Label in North America. Euromonitor 44 171 251 1105. Brands versus private labels: fighting to win. John A. Quelch and David Harding, Harvard Business Review, Jan Feb 1996.

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## ·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL.

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e-mail: letters editor@ft.com Translation may be available for letters written in the main international languages.

#### Political risk insurance system already exists

From Ms Shaila Fernandes. Sir, It is rather fronic that the fourth West-East conference of ministers meeting in Maryland, suggesting "Industrial countries should develop a comprehensive multilateral system to provide political risk insurance for investment in the eastern bloc countries" ("Foreign investors give former Soviet bloc nations a miss", March 7) was held just a few miles away from the Washington, DC-based Multilateral Investment

Copyright

goes back a

lot further

Guarantee Agency of the World Bank, which provides precisely this service to foreign

The agency was created in 1988, as an affiliate of the World Bank Group, to facilitate foreign direct investment to investors seeking to expand their business in the developing and transition economies of the world

It does this by providing political risk insurance to foreign investors against the risks of currency transfer. expropriation, and war and

civil disturbance, and through its investment marketing services helps host governments attract

investment. Investments insured by the agency in Europe and central Asia form 21 per cent (\$415.6m in coverage) of the agency's current portfolio.

Its 40 guarantee contracts issued (as of March 1) in the region have facilitated an estimated \$1bn in foreign investment by investors from Belgium, France, Germany, Italy, the Netherlands,

Switzerland, Turkey, the UK and the US. The investments were for projects in the Czech Republic, Bulgaria, Hungary, Kazakstan, the Kyrguz Republic, Russia, Poland, Slovak Republic, Turkey and Uzbekistan.

Shaila Fernandes. business development. guarantees department Multilateral Investment Guarantee Agency. 1800 G Street, NW Washington DC 20433,

# Scepticism that reveals real pro-European

From Mr Iain C. Baillie. Sir, I refer to the article "Digital ink grants every whim" on your Media Futures page (March 11). Mr Joseph Jacobson, the creator of the electronic book referred to. proposes to deal with the copyright problem by downloading 500 pre-second

world war titles. I would point out that this would not avoid the problem of copyright. Copyright only expires 70 years after the death of the author. Thus, a pre-1949 work by Bernard Shaw will not, in fact, expire until 2030 since Mr Shaw died only in 1950. Perhaps Mr Jacobson should use an earlier starting

Iain C. Baillie, 20 Chester Street London SW1X 7BL.

From Mr Michael H.J. Plaut. Sir. Why are people who criticise the European Union member states.

referred to as "anti-European"? Surely if one believes that the policies currently coming out of Brussels are not only hindering the economic prosperity of Europe, but are also endangering long-term democracy and individual freedom within Europe, what can be more pro-European than to raise one's voice in protest in the hope of arresting Europe's decline?

It is always assumed that if one speaks out against the EU then one is anti-European. I believe that there are a lot of people like me who wish to see closer trade and cultural links within Europe as per the original European Economic Community; but are extremely concerned by the dangerous direction of the EU.

We are not anti-European or even jingoistic - but we just do not believe that the European Union serves the best interests

of individual citizens or

Michael Plaut, director. NCF Asset Finance. Northmace House, Taffs Well. Cardiff CF4 8XF,

From Mr Derek H. Broome. Sir, The EC Commission continues to provide ammunition to the Eurosceptics to the despair of us Europhiles by making the occasional bizarre statement. The latest ("Let there be phones for all, says Brussels", March 15) on telephone, fax and computer connections for all betrays a complete divorce from the real world, and a surrender to hype about the information society.

The marginal cost of providing a new UK connection is in excess of £1,500; much more for remote locations. Fax and computer

gun-related crime. Criminals

and terrorists will still find

terminals can more than double this capital charge, with a cost of ownership at £500-£600 per annum before call charges.

Has anybody done a cost analysis related to the benefit to the people themselves? One can think of many more productive investments for the under-privileged. Such people are more concerned with the basics of existence than the networks talked about rather than used by the chattering

The sums involved are even more obscene when related to third world populations. The capital investment alone would sustain a family for two years or set peasants up with the means of feeding themselves on a permanent basis. Let them eat cake?

Derek R. Broome. 52 Wellingborough Road. Mears Ashby, Northampton NN6 ODZ.

#### Tragedies confirm society cannot equivocate on gun control

From Mr Philip Grayson. Sir, Words of sorrow are ten-a-penny. Do we care enough to prevent a repetition of Dunblane? Hungerford, the McDonalds Massacre, Dunblane and so many other tragedies confirm that we cannot afford to equivocate on this issue. There is no place in British society for firearms except in the hands of the armed forces, the police and farmers (who may justify

shotguns for pest control - but licensing can be strengthened to include mandatory certificates of health every year: yes, let gun holders really prove their fitness). Politicians from any party

can achieve immediate acclaim from a vast swell of moderate opinion by endorsing this view and acting upon it. Indeed, the government could find itself popular if it acts decisively. This will not solve all

ways of procuring weapons but the supply will be vastly reduced, and such a move would virtually eradicate the another act insanely.

massacres we see periodically by licensed firearm holders who at one time appeared sane, but for one reason or Similarly, the prohibition of the sale of all ammunition except shotgun cartridges for

pest control (sold under licence by the police) will vastly reduce the potential for bloodbaths of this sort. Members of Parliament, show your courage. For every. single gun-lobby voter, there are thousands of us moderates waiting to sign up with you.

Philip Grayson, East Court, Finchampstead, Berkshire RG40 3SD, UK

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-Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Tuesday March 19 1996

## China and the world

Beijing's latest military exercises off Taiwan have exposed a disconcerting level of disarray in the outside world. In their aftermath, developing a more coherent policy towards China must be a priority for the rest of Asia, and for the west. The US has to take the lead because it alone, in spite of recent uncertainty, still commands real respect in Beijing.

The right approach is to be firm on security matters but construc-tive overall. Within a generation China is likely to become a leading power, both economically and politically. The world will have to deal with it on those terms, but, handled correctly, China's emergence need not constitute a threat. The rest of Asia worries about China's tradition of exacting trib-

ute from weaker neighbours. Doubtless some of China's more conservative and nationalistic cadres still think in those terms. But many of its younger technocrats are more concerned with economic liberalisation and the creation of a prosperous society.

latter group. China's emergence on the world stage will be smoother politically if it grasps the concept of global economic interdependence. The deliberations of Apec and its Asia-Europe counterpart are important in this context, however feeble their initial results. As long as China is outside the World Trade Organisation, these are the only groups to engage it in discussing the rules of international commerce.

The US move last weekend to resume its bilateral economic dialogue with China is similarly welcome. Congress should think very carefully before withholding mostfavoured-pation status from China. That would drive it into deep economic isolation, as well as deal a cruel blow to Hong Kong's economy in the run up to mainland rule next year.

Crystal clear

But, while seeking to integrate China economically, the outside world must be crystal clear on its refusal to tolerate security threats. The US policy of deliberate ambiguity on the extent of its readiness to support Taiwan masks a great deal of incoherence and has sent conflicting signals to China.

First Washington was bounced into allowing Taiwan's President Lee Teng-hui to visit the US last summer. Then it made almost craven attempts to assuage Beijing's furious reaction. Now, by sending two aircraft carriers to the region, the US is signalling firmness. This last is the right message: henceforth it must be consistent.

Moral support

That does not mean Taiwan can or should be recognised as a sepanise Beijing, including the US, have to respect its claim to sovereignty over Taiwan however much they applaud the latter's move to democracy. Yet the way China is pursuing its claim through threats and demonstrations of force is unacceptable. It is damaging regional security, risks exacerbating the Asian arms race, and is interfering with important shipping and aviation routes on which other nations depend.

If the US security role in Asia is The west must encourage this to be credible, Washington must now show that it is capable of acting as policeman. Other Asian nations must at least lend it explicit moral support in doing so, so that China sees there are limits to its anti-social behaviour. The argument is heard too often that China grants favours only to those who eschew confrontation with it. In practice, it is adept at detecting and exploiting others' weakness.

China must be made to understand that it has much to lose by a policy of adventurism. Any actual invasion of Taiwan would not only almost certainly fail but would swing world opinion, in the US and elsewhere, heavily in favour of recognising Taipei. The flow of foreign capital on which China depends to develop its economy would dry up. China would thus jeopardise both its political and its economic objectives.

In contrast. China has much to gain from learning to live by generally accepted rules of international behaviour. It is not, as China often argues, a question of accepting humiliating outside constraints imposed by others. All states are more secure when such rules are respected. By accepting its obligations under them, China would enhance its own security as well as that of others.

## False promise of the V-chip

The "V-chip" has crossed the Atlantic even faster than US films and television series now do. Last month, despite opposition from broadcasters, the US passed a law to force all new televisions to be fitted with technology allowing narents to block violent or sexually explicit programmes. Now the UK government is seriously considering a similar step. The move has superficial attractions, but is misgrided.

Under the proposals, broadcast-

ers would attach an electronic sig-

nal to programmes containing

material deemed unsuitable for children. Those programmes would then be scrambled by the chip ("V" stands for "violence") unless the chip were switched off by an adult using a secure code. h is not only politicians keen to champion family values who have embraced the V-chip. Concern about violence, bad language and sex on television is widespread: surveys repeatedly show that parents are particularly worried. One aim, as Mrs Virginia Bottomley, UK national heritage secretary. put it yesterday, is to help "parents exercise their responsibility". Those who believe that what is

in society. However, the proposals are likely to be unworkable. First, it would be almost impossible to devise a rating system of the type required. The sheer variety of television programming is a formidable obstacle. Should serious dramas be judged on the same criteria as cartoons and thrillers? What about news - such as last week's tragedy in Dunblane?

seen on the screen has an influ-

ence on behaviour also hope that

the move might help curb violence

Impossible to apply

Second, even if a ratings system were constructed, it might prove impossible to apply in practice. Advocates point out that such a system exists for film. But the amount of television programming, and the speed with which it is commissioned, are far greater than in film - particularly as the number of channels is increasing

Third, children are often more adept with computers and video technology than their parents. in problems.

most homes it would also be years before the old sets without V-chips were thrown out.

Not only is the scheme likely to be unworkable, it could also damage the quality of broadcasting. Broadcasters argue that a ratings system would sanitise television to an undesirable degree. Because of the speed of programme-making, they would be inclined to censor themselves in advance more than film-makers.

Extra expense

The use of chips, even if installed only in some new sets. would also impose extra expense on consumers who have no desire for the service. The technology itself is thought to cost manufacturers only about 60p per set to fit. However, the much larger, continuing cost of operating the ratings would fall on broadcasters. Where they were unable to pass on costs to viewers they would be forced to cut into programming budgets.

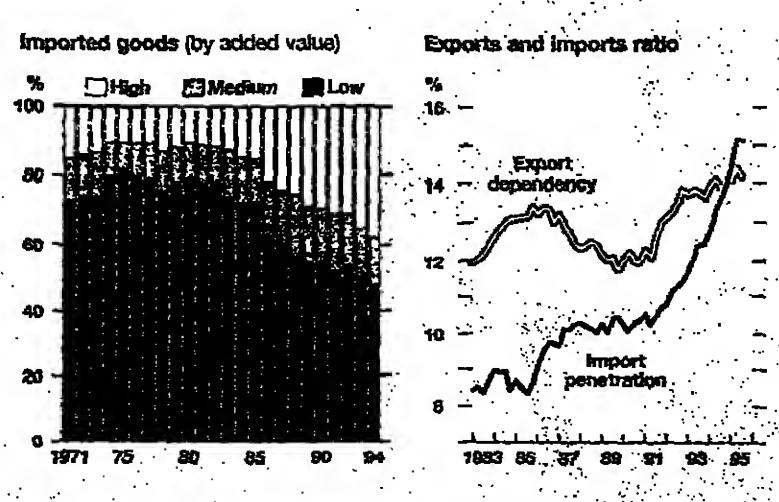
Most unattractive of all is that the proposals portray the invention of a new piece of electronics as the answer to deep-seated social problems. But the V-chip cannot repair defects of parenting. If parents do not now exercise control over what their children watch with the on-off button, it is hard to see why the addition of a more complicated piece of new technology would entice them to do so.

Nor is it obvious that filtering out violent programmes would have much impact on levels of violence in society. The question of whether there is a link between viewing of violence and subsequent behaviour is longstanding. but the proposition that there is such a link is far from proven.

Next week Mrs Bottomley's officials meet television manufacturers, broadcasters, regulatory bodies and viewers' groups to discuss the practical issues involved. They will also raise the question of European collaboration. They should not, however, ignore these wider questions, Many people dislike the reflection of society portrayed by television. But sanitising that image - the possible effect of these proposals - does not solve the underlying social



Japan: consumers welcome imported goods



| 1991                 | 1992   | 1993   | 1994  | 1995<br>Provisional   |
|----------------------|--|--|---|---|
| 41,465.1<br>28,642.3 | 42,081.6<br>26,305.5                         | 39,164.0<br>23,682.5   | 39,348,5<br>24,618.6  | 40,251.6<br>27,814.8  |
| 12.023.1             | 15,776.4                                     | 15,481.6   | 14.732.2  | 12,336.9  |
| -5,831.1             | -5,570.9                                     | 4,780.3  | 4,897.6   | -5,394.1  |
| 9,175.7              | 14.234.9                                     | 14,669.0   | 13,342.5  | 10,371.0  |
|                      | 41,465.1<br>28,642.3<br>12,923.1<br>-5,831.1 | 41,485.1 42,081.6<br>28,542.9 26,305.5<br>12,923.1 15,776.4<br>-5,831.1 -5,570.9 | 41,485.1 42,081.6 39,164.0 28,542.3 26,305.5 23,682.3 12,923.1 15,775.4 15,481.6 -5,831.1 -5,570.9 -4,780.3 | 41,485.1 42,081.6 39,164.0 39,348.5 28,542.3 26,305.5 23,682.3 24,618.6 12,923.1 15,775.4 15,481.6 14,732.2 5,831.1 -5,570.9 -4,780.3 4,897.6 |

# Barriers fall to import invaders

Although obstacles still exist, structural changes to the economy mean Japan is opening up to foreign goods, says William Dawkins

magic to selling foreign goods in Japan, according to Mr Mitsuru Sato. president of Volkswagen Audi Nippon, importer of the biggest selling make of foreign cars in

"This is just like any other market, in many ways," he says. He points out of his office window in the industrial port of Toyohashi to a dockside crowded with 5.000 newly shipped Volkswagens and Audis - the latest monthly consignment in what promises to be a record year for VAN.

The company increased its sales in a sluggish Japanese market by 32 per cent last year. Like many other importers of consumer and industrial products, it is doing better in Japan than it would have dared hope a few years ago.

"Things are opening up," says Mr Bruce Albertson. Asia president of General Electric Appliances, which last year tripled its sales of giant US refrigerators in Japan. Such items were formerly seen as unsellable to Japanese, who preferred appliances small enough to fit comfortably into their kitchens.

Such optimism from exporters to Japan would once have seemed eccentric. They became accustomed to finding enormous technical, cultural and financial barriers to entry into the Japanese market.

Considerable obstacles, such as high property prices and a very costly distribution system, still exist. Yet Japan's new openness to foreign goods was a significant factor in the first decline in its annual trade surplus in five years, by 7.6 per cent to \$134.5bn, in 1995. The trade account even dipped into deficit in January - again for the first time in five years – to the astonishment of economists in Tokyo. The striking feature of last year's decline in the surplus was a 22.8 per

cent rise in imports, which

advanced twice as fast as exports. In ven terms - ironing out the recent wild currency fluctuations affecting the dollar figures - the surplys has now been on the decline for three years in a row,

establishing an unmistakable trend. The falling surplus marks a profound change in the character of Japan's previously export-obsessed economy. Japan's growing taste for foreign goods, most economists say, began as a cyclical change initiated by the cheap imports brought by a rising yen, but has now taken on a momentum of its own.

The currency pressure came to a head last April when the Japanese ven touched a record Y79 to the US dollar, rendering imports unbeatably cheap by comparison with domestically made products. The rate has since eased, with the dollar now at about Y105. But, unlike in previous periods of yen weakness, there are no signs that imports have lost market share as a result. although analysts believe the decline in the surplus is already slowing because of the stronger dol-

The composition of imports has changed too. Foreign goods' market shares have advanced fastest in the very sectors previously dominated by domestic producers. Japan, once the world's largest producer of televisions, became a net importer two vears ago - and last year bought nearly two-thirds of its sets from

Nearly 90 per cent of its electronic calculators now come from overseas, three times the level of five years ago. The market share of the top three imported computer brands has nearly tripled to one-third over the same period.

Even the car market has become measurably more open, despite - or, the US government would argue, because of - US complaints of unfair barriers. The foreign market share, excluding Japanese cars

made abroad, has risen by half to 7.3 per cent in the past five years. Include foreign-made Japanese cars. and the proportion doubled over the

same period to 10.2 per cent in 1995.

There are good reasons to believe

that foreign-made goods will hold on to their increased share. The catch is that foreign companies will not get the full benefit. For, according to the Japan External Trade Organisation (Jetro), up to one third of imported manufactured goods come from Japanese plants abroad. The irony will not please Japan's trade partners, but "the most successful exporter to Japan could well be Japan", says Mr Richard Werner, chief economist at Jardine Fleming

Securities in Tokyo.

nd that success is unlikely to diminish. About a fifth of Japanese companies' industrial production has now been moved abroad, according to Jetro - un from a tenth three years ago - in search of lower costs and proximity to emerging markets. An exodus on that scale has long moved past the point of no return. Another factor to suggest that the import invasion is here to stay is the revolution in Japan's retail industry. Aggressive new retailers have sidestepped the old multilayered distribution system and pushed aside old brand allegiances, flooding high streets with foreign

goods from Belgian beer to US

designer clothes.

The new retailers have been enthusiastically welcomed. Superstores' sales rose 30 per cent in the three years to 1994, while sales at independent corner stores, whose fealty to domestic suppliers had long made foreign goods scarce, fell 10 per cent over the same period, according to industry figures. Superstores are typically owned by large companies, less prone to the bullying of domestic

suppliers than small corner shops. A sub-plot of the retail revolution has been the growth in sales by foreign mail-order companies, up between 5 per cent and 7 per cent annually throughout the recession. led by clothing and jeweliery.

Fickle consumers of course played an important part in pumping up and letting down previous import surges. But this time, they are behaving in steadler fashion. A comparison with the most recent burst of importing on this scale - a 25 per cent rise in dollar terms in 1988 - shows why this one is no fad. That phenomenon occurred during fast growth in consumer spending. this latest import surge has taken place, against all economic orthodoxy, during a collapse in spending

and record unemployment. In another telling contrast to the roaring late 1980s, the Japanese are now importing necessities and affordables, not just the luxury goods, gold, oil and raw materials which made up an estimated one third of imports in 1988.

The share of imports made up by manufactured goods has tripled to a record 60 per cent over the past decade. It is an important change, part of the long-term maturing of the Japanese economy; it brings Japan closer to leading free-market countries such as the US. Germany and Britain, where the ratio of manufactured imports is stable at about 80 per cept.

Japan's new propensity to import invites the question of how much further the trade surplus, the focal point of its trade disputes with the US and foundation of its strong currency, will shrink. The views of economists in Tokyo range from those who think the surplus could nearly halve from the present level within a year and then resume a gentler fall to those who predict that it will merely dip this year and then start to rise again. Salomon Brothers, the US invest-

ment bank, believes the fall in the yen will start to curb import growth this year and at the same time restore some lost export competitiveness.

The auguries are that the yen will remain weak for some time. The Bank of Japan remains firmly committed to a loose monetary policy until a domestic recovery gets well under way, despite the recent pronouncements of Mr Wataru Kubo. the finance minister, that Japan's army of savers and pensioners require a higher return on deposits. Meanwhile, exports could accelerate as Japanese manufacturers continue their onslaught on emerging Asian markets - the largest part of the trade surplus, growing by 15 per cent a year - to compensate for slower growth in the US and Europe.

It is not just the direction of exports that dictates higher growth. The structure too has altered towards higher-technology goods where demand is growing faster. One example is that for the past eight months the value of Japan's exports of semiconductors have for the first time exceeded its overseas sales of cars.

But many analysts, among them Jardine Fleming, argue that the structural changes in the domestic economy are so deep that the annual trade account could balance early in the next century, completing the transition from an exporting to a consuming economy.

Whichever way the surplus turns. economists and policymakers in Tokyo agree on one thing: the opening of the Japanese economy, while painfully slow and partly reserved for the enrichment of Japanese companies, has developed an unstoppable momentum.

"Japanese consumers have only just started to exercise the choices permitted by their relative wealth." says VAN's Mr Sato. "I can't see them going back."

## OBSERVER.

#### Power of the beady eye

Relations between the BDL the German federation of industry, and the BDA, the German employers' federation, had been dodgy for. some while.

But permafrost seems to have set in between the two neighbouring organisations in Cologne now that Hans-Olaf Henkel, the BDI's combative president, is attempting to block the next career move of Klaus Murmann, outgoing BDA president.

Breaking with Germany's cosy. consensus traditions, Henkel has said he will not support Murmann's candidature for the presidency of Unice, the Brussels-based European business and employers' federation: Instead he has thrown his weight behind François Périgot, the current Unice boss, who is seeking a further

if other business leaders follow Henkel's example, Murmann could be joining Germany's growing ranks of unemployed in December. He has already decided to give up the BDA job - and Dieter Hundt, a metal industry executive, is due to be confirmed as Murmann's successor today.

The BDI, which is not involved in the country's wage bargaining procedures, has watched with increasing fury over the past two years as employers' groups

belonging to the BDA have conceded high wage settlements in negotiations with Germany's trade unions. That Henkel should deliver such an exquisitely timed blow to his compatriot is a measure of just how sour things have turned between the two men.

#### On a roll

On Wall Street, one Swiss bank's loss is another Swiss bank's gain. The latest turmoil to hit CS First Boston - the unit of CS Holding which seems forever in the midst of a bloody battle over bonuses - has just worked to the advantage of UBS.

After a healthy year in the bond markets. First Boston's fixed income traders had been looking forward to some equally flattering bonuses. Many got a rude surprise when they discovered they had failed to match the previous year's pickings. The hysterical reaction - fuelled

by word that president Allen Wheat is supposed to have made \$9m - has been of true Wall Street proportions. Robert Diamond, head of global bond business, resigned. and so did a batch of other leading fixed income executives. Now John Costas, one of the two

people named less than a formight ago to succeed Diamond, has quit to become head of North American fixed income for UBS, a bank which is rumoured to be offering big bonuses of its own to

lure top Wall Street talent. UBS toyed for a long time with buying a US investment bank. before opting instead to grow one of its own. Only question is, will it do a better management job than

#### Tricky one

its compatriot?

Argentine film buffs hoping to catch the first showing of Oliver Stone's Nixon last weekend were in for a disappointment. Officials at the cinema in downtown Buenos Aires informed an incredulous audience that the only copy of the movie had been borrowed - by President Carlos Menem.

It transpires that Menem had

organised a private showing of the film in his luxurious Olivos residence where he likes to hang out with the "pizza and champagne" jet set. With economic crisis and a bitter cabinet dispute filling the president's agenda, it is a bit surprising there is any time for films. Then again, Menem, who would love to seek a third term were it not expressly forbidden by the pesky constitution, could perhaps be looking for tips from the old wheeler-dealer on side-stepping such niceties.

Squeaking pip

■ One of the allegedly inadvertent architects of the financial downfall of California's fat-cat Orange

County is back on the public

Gaddi Vasquez, chairman of the county board of supervisors which signally failed to supervise the doings of treasurer Robert Citron retired last summer. A bright-eyed politico, he was once seen as an un-and-comer with a fine future. He was never directly implicated in the book-cooking, fiscal voodoo and astrologically-inspired investment practices of Citron's office. But this good fortune - possibly due to his "outsider" status as a Latino representative in a singularly conservative area - was not . enough to protect him from the backwash of the \$1.7bn bankruptcy scandal.

Vasquez' first stop on the way out was at the public relations department of Southern California Edison, the regional power utility. Now he's hung up his suit and tie. for the relative anonymity afforded by the uniform of the police force in the city of Orange.

#### Lost title

■ British titles mean a lot to Americans. Hence it is a great pity that Duke Power, the US electricity company, no longer seems to be interested in bidding for British Energy, the soon to be privatised nuclear power utility based in Edinburgh. It means that the Yanks have turned down the opportunity to rename their UK subsidiary Duke of Edinburgh....

Financial Times

#### 100 years ago Progressive gold mining

For progressive geography and gold mining go to Perth in Western Australia. The correspondent of Reuter's agency out there solemnly informs us that a rich discovery of gold is reported to have been made in the Darling Range, "40 miles west" of that city. There should be no difficulty in "floating" a company to work 40 miles west of Perth, which is an eligible site in the Indian Ocean. The water-difficulty at all events

50 years ago Mexican railways

ought to be absent.

Bondholders of the defaulting National Railways of Mexico backed an indifferent horse. They will probably consider themselves fortunate to have the opportunity of saving something from the wreckage of their claims. Three-and-a-half years after concluding a settlement covering the direct obligations of the Mexican Government, the persevering International Committee of Bankers on Mexico has now succeeded in negotiating with the Mexican Government a plan for the resumption of interest payments and amortisation on a much

reduced basis.

## FINANCIAL TIMES

Tuesday March 19 1996



Police put on standby as money dispensers run dry Romania

## Striking security drivers affect Belgian cashflow

By Emma Tucker and Neil Buckley in Brussels

A nationwide strike by Belgian security van drivers is providing a taste of the cashless society. Some automatic cash machines

have already run dry, starved of funds by security staff who say their lives are being threatened by inadequate protection on pight-time operations.

Meanwhile, police are on standby throughout the country to keep the country's banking system operating.

There are lears that the strike. which enters its 10th day today. could lead to a liquidity crisis in the next few days, although supermarkets have been offering extra cash to customers with debit and credit cards.

Concern that the biggest stores could become a target for robberies prompted the government to mobilise the police and the post office to empty their coffers at the weekend. From 7am until 11.20am on Sunday, post office

vans, flanked by fleets of armed policemen, descended on more than 70 shopping centres to remove money spent on Satur-

"We are still managing the situation, there is no crisis yet, said Mr Rik Pareit of the Belgian Bankers Association. "But the strike is now into its second week and of course we are noticing the effects."

Banque Bruxelles Lambert, Belgium's fourth largest bank. said the problem was not too little cash, but too much cash. Notes were piling up in its larger branches while smaller

and rural branches were running

out in some cases leaving local branch managers to use their own cars to transport money. "You can't go running to the police every single time," the bank said. "With smaller amounts, you have to do it yourself, with all possible security.

inventive." The security drivers' unions

Sometimes you have to be a bit

were enraged by the use of police to transport money this weekend, saying the "publicity-seeking" operation involved precisely the sort of protection they were demanding.

The strike was called after a cash deliverer was shot dead during a night collection in Charleroi. The unions say a new law rushed on to the statute book that requires the presence of three people on all night deliveries is inadequate and are calling for an end to all night deliv-

The government has now appointed two mediators to try to resolve the conflict, but there is no immediate sign of relief.

Luckily for Belgians, the use of electronic swipe cards for cash payments is more advanced than in many other European countries. According to Banksys, the company that runs the two main electronic card systems, electronic payments have risen between 10 and 15 per cent over the last few days.

# bans five dealing in forex

yesterday banned five banks. on their own account in the country's fledgling foreign

only say that the five had not complied with foreign exchange month. But it comes amid central bank efforts to prop up the leu, the local currency, which private sector banks have been selling at less than the official rate.

continue to re-evaluate other dealers this week, causing concern in the local financial community that other private sector banks would also lose their licences.

banks to set up an office in Bucharest, described the move as a "complete surprise" and denied any wrongdoing. "We have made a thorough check and are not aware of violating any central

The bank added that it had learnt of the decision through the media and had yet to be informed edly breached.

confusion on the local forex market - a nominally free interbank market launched in mid-1994 at the insistence of the International Monetary Fund. Private sector banks have consistently quoted weaker rates for the leu than the central bank's reference rate which is supposed to reflect

by the country's "big four" state commercial banks, which analysts say are under political pressure to protect the currency. They claim that, until recently, state banks have also been dealing in the leu at prices lower than those posted on their trading screens, and that this appeared to have been one reason

Dealers agreed there was need for greater transparency in the market, but claimed the authorities were trying to intimidate private banks and to fix the exchange rate through adminis-

## Land auction points to rising property prices in Hong Kong

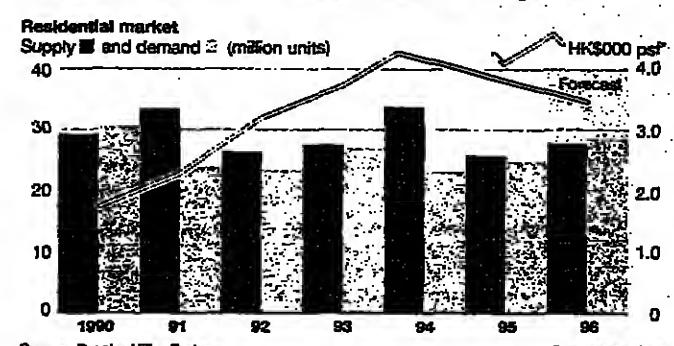
By John Ridding in Hong Kong

Hong Kong's property market. one of the main indicators of economic confidence in the territory. is recovering from the sharp fall of 1994-95, the results of yesterday's government land auction show.

The prices for the four sites on offer were at the upper end of forecasts, supporting claims that the downturn is over, but drawing mixed verdicts on the strength of the upswing.

"The market is starting to move up, but not at full throttle," Mr David Mackey, property analyst at Salomon Brothers in Hong Kong, said. Mr David Faulkner, partner at Brooke Hillier Parker. the international property consultants, was more optimistic: "The big buvers are back in the market; there is a positive view of prospects."

Most attention was focused on the biggest site, a 15,100 sq metre plot of reclaimed land in Hung Hom Bay, an area in Kowloon adjacent to Hong Kong island. The plot, which will be used mainly for residential development, fetched HK\$4.73bn (\$612m), against predictions of between HK\$4bn and HK\$5bn. Market observers said it was Hong Kong property: still below the peak Residential market



Source: Brooks Hiller Parker

also significant that the site was managing director of Swire Propbought by a group backed by Henderson Land, one of Hong Swire group, said. Kong's biggest developers.

"It is a good sign when you see the big players moving back in. Mr Faulkner added. "They had gone quiet over recent months. leaving the bidding to secondstring companies." The other sites sold yesterday

included an office site in the downtown Central district. Despite signs of upturn, several property developers cite a patchy recovery. "We are seeing different levels of performance in dif-

ferent sectors," Mr Keith Kerr,

erties, the property arm of the Most analysts predict further

strengthening in property prices this year as economic conditions improve. They believe the rebound from property price falls of 20-30 per cent since the market peaked in spring 1994 is unlikely to be rapid. They also caution that recovery depends on continued easing in Hong Kong's monetary policy, a process dictated by the movement of US interest

HK survey, separate section

## EU outlines \$4.5bn Bosnian aid package

Continued from Page 1

Serb republic.

Moslem-Croat federation and the But intimidation by Serb and Moslem extremists, and the fail-

ure of either United Nations or

**Europe today** 

A depression over the Bay of Biscay will

bring cloud to wide areas of Spain and rain to the north-west of the country and to Portugal, although south-eastern Spain

Countries will be dry with early fog, while Switzerland and Germany will be mainly cloudy, with some rain and trost likely in

thundery showers. Heavy rain is expected in Greece and the southern Balkans, with showers near the Black Sea. Russia will

Spring will arrive in western Europe in the

second half of the week, with widespread

sunny periods from the North Sea to Spain. Temperatures of more than 20C

are expected in Spain. The western Mediterranean will be calm, dry and warm, although eastern areas will be

will be sunny. France and the Low

Germany. Conditions will gradually improve in Italy, although southern regions will have occasional rain and

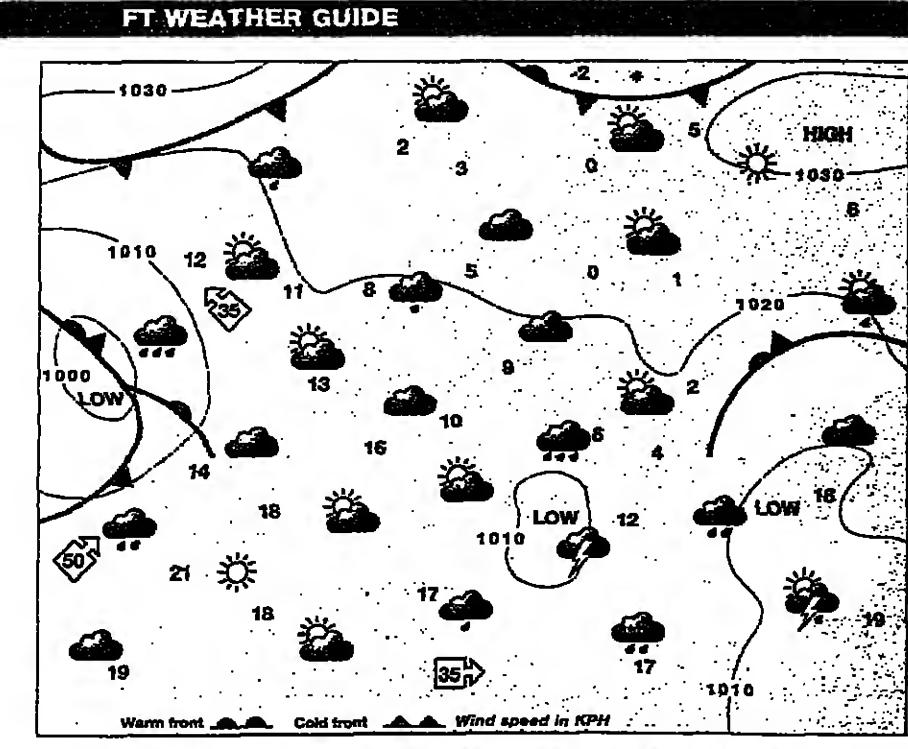
ensure that few Serbs will

Western officials warned yes- Belgrade to normalise relations terday that some areas in the

their local authorities refuse to a very serious matter," said a Mr Christopher also pressed for

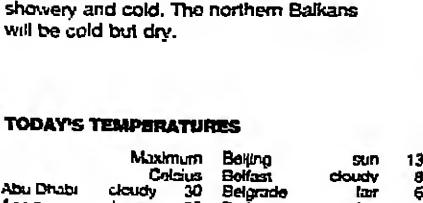
Bosnian government police to Moslem-Croat federation might offer protection, has served to be denied reconstruction aid if remain in the city's outer sub- abide by the Dayton accord.

with Sarajevo and Zagreb.



Five-day forecast

remain wintry.



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Frankfurt. Your hub to the heart of Europe. Lufthansa

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banks from

By Virginia Marsh in Budapest

Romania's central bank including ING, the Dutch financial services group, from dealing exchange market.

The five banks will be allowed to continue to act as brokers, within strict limits, to provide or sell foreign exchange for customers after their dealing licences were withdrawn yesterday.

No reasons were given for the move - the central bank would rules published earlier this

The central bank said it would

ING, one of the few big western bank regulations."

of which regulations it had alleg-

The move follows months of the market average.

At present the reference rate is hovering at around 2,850 lei to the dollar against the 3.050 lei or more offered by private banks.

The forex market is dominated

for the central bank's crackdown.

trative measures. "Withdrawing ING's licence is western banker in Bucharest. "We aren't nervous yet but we will examine carefully the reasoning behind this action."

## THE LEX COLUMN French hang-up

France will have a hard time floating France Télécom. Yesterday's announcement by prime minister Alain Juppé was met with a chorus of criticism from the state-owned telecoms group's unions. This is despite the fact that the government promised a dialogue with staff, and guaranteed their status as civil servants within a group which will remain controlled by the state.

Following last December's crippling public sector strikes, the French government is anxious not to provoke a backlash. But, unless it has the courage to press on, it is hard to see what will bring the unions to the negotiating table. This is a pity because France Télécom is better-placed for privatisation than many other stateowned telecoms groups, particularly its partner Deutsche Telekom. Not only is the French group more efficient; its tariff structure more accurately reflects costs, so making it less vulnerable to "cherry-picking" when its market is opened to competition in 1998. Partly for these reasons, there is not yet the same array of well capitalised domestic and international groups poised to invade the French market. France Télécom's financial position is also stronger: net debt is FFr80bn (\$15.8bn) compared with Deutsche Telekom's DM100bn

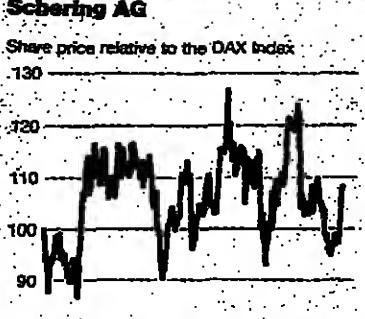
(\$57.5bn). Unfortunately, the group's relative strength cuts both ways. It makes it hard to instil a sense of urgency among employees. That said, France Télécom's advantages are eroding: whereas a decade ago it was much more productive than British Telecommunications, the two are now on a par. If privatisation is delayed, it will slip behind.

#### Schering

Schering should take two aspirins and try to forget 1995. Health scares. product withdrawals and the strong D-Mark meant the German drugs group missed its profit targets and its shareholders missed out on a bumper year for pharmaceutical stocks. Schering's management expects a return to form in 1996 and is gamely forecasting an 18 per cent rise in profits on a 9 per cent sales increase. This looks optimistic given the problems in each of its three main product areas. Contrast media, used in X-rays, face a double-digit price cut in Japan, their largest single market. Following on from last year's scare that some contraceptive pills might cause thrombosis, women have been switching from newer types to older, safer ones, which

are also much less profitable. And

FT-SE Eurotrack 200: 1661.1 (+9.1) Schering AG



while Betaferon, its multiple sclerosis treatment, is being rolled out across Europe, it will face competition in the

Source: FT Extel

US from the middle of this year. Despite this, Schering's shares have rebounded strongly in 1996 and now trade on 23 times forecast earnings high even for the drugs sector. This reflects takeover speculation, since the group is a mid-sized drugs company with over DM2bn (\$1.3bn) of net cash and scope for cost reductions. While operating margins of around 13 per cent are low, Schering's extensive manufacturing base in politically sensitive Berlin will be hard to cut. Nor is there much in the research pipeline to tempt a bidder, and anyone interested in contrast media, its main strength, could buy the much more lowly-rated Hafslund Nycomed. The shares look overvalued.

#### Conglomerates in Asia

The share price declines and demergers of once fashionable deal-driven conglomerates have partly reflected their inability to find acquisitions in the austere 1990s. Perhaps they are looking in the wrong place. Last week, Singapore-listed York Pacific was renamed Wassall Asia Pacific, as the Asian arm of the UK conglomerate. York hopes to replicate the old formula of reviving tired old manufacturing companies; but with the help of some of the world's fastest growing economies.

Wassall is not the first conglomerate to head east. Williams recently bought a Chinese lock business and BTR has a broad spread of Asian subsidiaries. Nonetheless, these have been strategic bolt-ons to existing businesses rather than opportunistic deals. Some caution is understandable. Cultural differences could impede the implementation of radical management changes. In a contacts-oriented world, the Western outsiders may struggle to get the deals. Besides, conglomerates have traditionally focused on extracting cash from mature businesses where there was little threat of new rivals squeezing margins; competition is threat in the go-go Asian markets.

However, a mixture of Asia's fast economic growth and dabbling in property has allowed many local industrial businesses to survive poor management. Meanwhile, business practices are remarkably flexible. This suggests ideal conditions for Hansonstyle corporate surgeons. With a dynamic market background, UK conglomerates could start to deliver the sales growth they have struggled to generate back home.

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#### Harvey Nichols

spare cash on champagne, fashionjunkies Edina and Patsy of the UK sitcom Absolutely Fabulous might be tempted to splash out on some shares in Harvey Nichols, the up-market fashion retailer, which yesterday announced plans to list on the London Stock Exchange, Dickson Concepts of Hong Kong, which bought Harvey Nichols for £51m in 1991 from the Burton Group, will sell half its interest.

if they weren't spending all their

The company's turnround has confounded doubters who thought Dickson was just another foreign company over-paying for a trophy asset. From a loss in 1993. Harvey Nichols turned in a £6.6m operating profit in 1995, as operating margins rebounded to a healthy 8.5 per cent. As well as stricter financial controls, the new management increased the sales area from 120,000 to 150,000 square feet, partly by opening a restaurant where the head office had been.

But, the turnround completed, the flotation's success will depend on management's ability to convince investors of the wisdom of its expansion strategy. It is about to open a store in Leeds and believes there is room for a handful of UK stores. It also plans more restaurants. The brand is certainly a strong one. But the success of the concept outside London is unproven. Investors should be sceptical of any attempt to market the deal as a luxury goods/leisure business. Although it sells huxury goods. and has a restaurants business, it is still a retailer, and while its growth, potential may merit a premium to the retailing sector, this should not be big. | hetaling

> Additional Lex comment on Argos, Page 23

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